

## WORLD NEWS

### West presses Algeria not to free hijackers

Western nations, led by the US, are making strong representations to the Algerian government not to allow the hijacked Kuwaiti airliner, which was still at Algiers airport yesterday, to fly elsewhere and not to allow the hijackers to go free. Back Page

### US Naples bomb suspect

Italian police said a Japanese member of the Red Army Faction was the prime suspect in Thursday night's car bomb attack on a US military club in Naples which killed five people including an American servicewoman. The suspect, 38-year-old Junzo Okada, is believed to have been working with Middle East terrorists. Page 2

Near Madrid yesterday a bomb exploded at a US military communications relay site causing slight damage but no injuries.

### Moors bid blocked

An attempt to prosecute Moors murderers Ian Brady and Myra Hindley over the killing of schoolgirl Pauline Reade 25 years ago was blocked by the Director of Public Prosecutions. The attempt was made by Pauline's brother who had successfully applied for private summonses. Page 3

### Thatcher attack

Roman Catholic Archbishop of Liverpool Derek Worlock said Mrs Thatcher's policies were benefiting the rich at the expense of the poor. Page 3

### S Africa bomb kills 2

Two bombs exploded in central Pretoria killing at least two people and wounding many. Page 3

### Sharpeville Six appeal

Defence attorneys applied to Pretoria Supreme Court for a retrial of the Sharpeville Six. Page 3

### Contras return

Exiled leaders of the US-backed Contra rebels were due to return to Nicaragua yesterday for the first time in 19 years to begin peace talks with the Sandinista government. Page 3

### Paint 'not to blame'

Paint used at King's Cross tube station was not "a substantial cause" of the fatal fire last November, the disaster inquiry chairman said. Page 3

### Kenneth Williams dies

Actor Kenneth Williams, 62, who appeared in numerous Gaiety films, died of a heart attack. Page 3

### Spanish shootings

Suspected Basque separatists shot dead two policemen in the Spanish town of Victoria. Page 3

### Six dead in riots

Nigeria closed five universities and called in riot police to quell student demonstrations against petrol price increases after six people were killed in Jos. Page 2

### Floods kill 10

Floods in eastern Turkey have killed 10 people, cut a vital road link with Iraq and forced thousands from their homes. Page 2

### Philippine plot foiled

A destabilisation plot by army rebels was foiled with the arrest of eight navy cronies who had helped in the escape of renegade coup leader Colonel Gregorio Honasan, the military said. Page 2

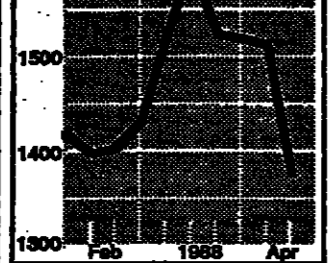
## BUSINESS SUMMARY

### Plessey and Racal venture excludes GEC

ORBITEL, UK digital car phones company set up jointly by Plessey and Racal, yesterday rejected General Electric Company's bid to join it. The move was seen as a blow to attempts to create a single UK supplier of car-phones equipment. Back Page

### Baltic Freight Futures Market

continued to fall from its March high. The July futures position ended another 37 points down on



the week at 1,381 as increased availability of tonnage and reduced demand brought the shipping market into closer balance. Commodities, Page 10

UK TAX: The top 5 per cent of taxpayers will contribute 28 per cent of total income tax receipts this year compared with 24 per cent in 1979 when Labour was last in office, the Government said. Back Page

BLUE CIRCLE, UK home products group, announced pre-tax profits rose 22 per cent to £15.8m helped by a strong improvement in cement profits. Page 8

WILLIAM STEEN, discharged from a £118m bankruptcy in 1985, is back on the British property scene as a director of Dollar Land Holdings, a private company with a £50m portfolio. Page 4

BAT INDUSTRIES, UK-based tobacco, retailing, paper and insurance multinational, accused Los Angeles-based insurer Farmers Group of avoiding negotiations over its \$4.5bn (£2.5bn) bid. Page 5

DAIMLER-BENZ, West Germany's largest industrial group, confirmed it plans to make a bid worth just over DM1bn (£218m) for the 44 per cent of AEG, West German electrical and electronics company, it does not own. Page 10

BRITISH CHANCELLOR Nigel Lawson, called on the IMF to restore discipline to his initiative for more Western aid to the poorest debtor countries in sub-Saharan Africa. Page 2

PEUGEOT TALBOT, UK motor subsidiary of the French group, reported a strong recovery with pre-tax profits of £18.24m compared with a loss of £14.93m last year. Page 4

CHRYSLER GROUP, UK entertainment and leisure services company, announced interim pre-tax profits down 60 per cent to £2.01m with turnover down to £52.55m from £58.65m. Page 5

VSEL, privatised Trident missile submarine builder, leads a UK industrial delegation to Canada today as part of efforts for a \$2bn export contract for 12 nuclear hunter-killer submarines. Page 4

COLOMBIA announced that oil discoveries this year had topped 40m barrels of oil so far, easily compensating for its output of about 415,000 barrels a day.

SWEDEN said its trade surplus rose to Skr3.4bn (£300m) in March compared with Skr1.2bn in February.

## Figures signal slowing down of the economy and rise in inflation

BY SIMON HOLBERTON

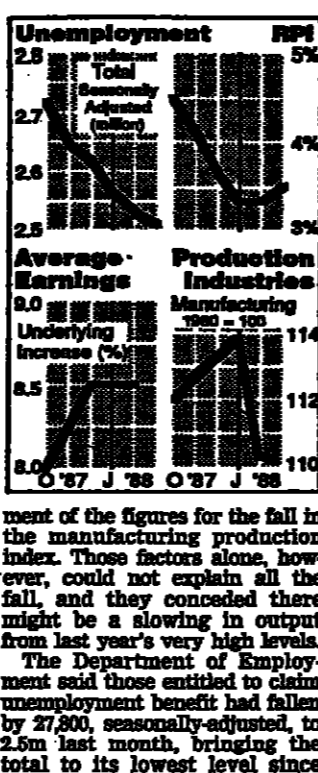
SIGNS THAT the British economy may be slowing down, with inflation beginning to rise, emerged in a series of official statistics released yesterday.

Employment figures for March indicated a moderation in the rate at which unemployed people are finding work, while industrial production figures for February pointed to lower output.

Overall, the figures give an ambiguous picture of the UK economy. The official Treasury line was that they should be treated cautiously, especially the figures for industrial production. The Central Statistical Office said yesterday that manufacturing output had fallen by 3 per cent in February compared with the previous month - the sharpest recorded fall in nine years. As a result, the CSO has cut its estimate for the underlying growth in manufacturing output from 5.7 per cent to 5.4 per cent.

The Treasury index of the figure for manufacturing output could be unreliable. A spokesman said the Treasury was expecting the UK economy to slow down but that it was not taking too much notice of the figures. CSO officials cited the Ford strike in February and possible problems with statistical adjustment of the figures for the fall in the manufacturing production index. Those factors alone, however, could not explain all the fall, and they conceded there might be a slowing in output from last year's very high levels.

The Department of Employment said those entitled to claim unemployment benefit had fallen by 27,500, seasonally-adjusted, to 2.5m last month, bringing the total to its lowest level since



December 1981. The unemployment rate is now 9 per cent compared with 10.9 a year ago.

The rate of the fall in unemployment, however, appears to be moderating. Last month's seasonally adjusted decline compares with an average of 44,000 for the past six months. There was also a 2,400 fall last month in the number of vacancies at jobcentres, although the total is still 15 per cent higher than a year ago.

Other figures out yesterday showed that more than 500,000 men and women entered work last year, the largest single rise in employment in a calendar year for 30 years.

Inflation figures for March showed the first rise in retail price inflation for six months with the annual rate of inflation rising to 3.5 per cent from 3.3 per cent. The main cause appeared to be higher factory gate prices feeding through to the retail sector.

The Employment Department believes that the recorded inflation rate will rise this month. Local authorities are due to increase rates and rents and electricity on 1 April.

Details and unemployment map, Page 4; Editorial comment, Page 6

## Norway group close to buying Govan shipyard

BY OUR FOREIGN AND INDUSTRIAL STAFF

THE UK GOVERNMENT is close to an agreement to sell British Shipbuilders' Govan yard in Glasgow to Kvaerner Industries, the Norwegian engineering, shipping and shipbuilding group.

The Government would write off Govan's existing debt and guarantee payment of debts incurred on contracts in progress, officials said in Oslo. Kvaerner would make only a token payment for the yard.

The proposed sale was to have been announced earlier this week by Mr Kenneth Clarke, the Industry Minister, but plans for a Commons statement are believed to have been scrapped because of the emergency debate on social security.

The sale of Govan, which accounts for about 40 per cent of British Shipbuilders' remaining capacity and employs about 2,000, would almost certainly lead to the sale or closure of British Shipbuilders' other yards. Without Govan, the corporation would be too small to compete effectively in world markets.

Only the separately state-owned Harland and Wolff yard in Belfast would remain as a British-owned merchant shipbuilder of any size.

The yard most likely to face closure would be North-East Shipbuilders in Sunderland, which employs about 3,000.

NESE is building 26 small ferries for Danish owners, and has enough work to last until the middle of next year. The yard has a poor productivity record, however, and has been openly criticised by ministers.

Buyers could probably be found for the other main subsidiaries - Applique-Perguson, a

Devon-based specialist builder of small ships, and Clark-Rinkald, the group's engine-builder, based in Greenock.

The Government's priority is to reduce the flow of subsidies to British Shipbuilders, which has accumulated operating losses of more than £1.3m since nationalisation in 1977.

The group has sought to contain losses by reducing its workforce from more than 30,000 to about 6,000, and by cutting capacity by about 40 per cent.

Operating losses reached £148m in 1986/87, however, and are expected to remain at well over £100m for the year to last month. The current trading performance is believed to be deteriorating.

Govan is the most technically advanced of British Shipbuilders' yards, however, and has a highly skilled and flexible workforce.

Kvaerner is thought to have approached British Shipbuilders two months ago. The company has since had extensive talks with the Department of Trade and Industry, and technical staff have visited Govan to inspect facilities and study working methods.

Kvaerner builds gas carrying ships, and is believed to regard Govan as a cheap alternative to its Norwegian operation.

Ships built in the UK would also qualify for a subsidy of up to 28 per cent of contract price under European Community regulations. This is substantially higher than subsidies available in Norway.

Mr John Lister, chairman of British Shipbuilders, refused to comment.

## Texaco plans to sell \$5bn of US and overseas assets

BY JANET BUSH IN NEW YORK

TEXACO, the beleaguered US oil company, last night announced an expansion of its restructuring plan, which will now include the sale of at least \$5bn in assets both in the US and overseas.

The proceeds would be used to reduce the company's debt, fund capital projects and possibly finance a significant buy-back of its shares, depending on market conditions.

The new plan increases by \$2bn the asset sales that had previously been planned.

The board yesterday declared a quarterly dividend of 75 cents a share, the first pay-out since Texaco emerged from Chapter 11 bankruptcy protection.

Mr James Kinneer, president

and chief executive, said the resumption of dividends at "a substantial rate" demonstrated the company's confidence that its expanded restructuring would provide the basis for rebuilding profitability.

"Having emerged from Chapter 11, we intend to thrive - not just survive - by moving aggressively to pursue opportunities to improve future earnings and cash flow and to enhance share value and return," he said.

Negotiations are already under way to sell Texaco's interest in its West German subsidiary and to sell or take into joint ventures certain US and European manufacturing and marketing assets.

## Calm returns to markets as banks act to steady \$

BY PHILIP STEPHENS IN WASHINGTON AND SIMON HOLBERTON IN LONDON

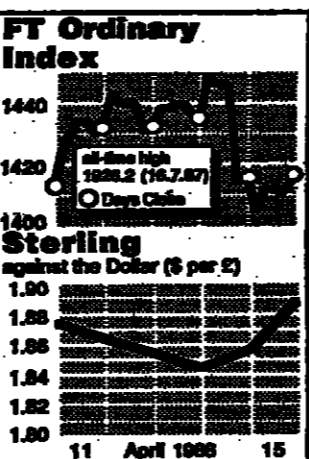
RELATIVE CALM return to the world's financial markets yesterday after Thursday's sharp fall on Wall Street as a further modest round of central bank intervention helped to stabilise the dollar.

On Wall Street, equities stabilised after an early fall of more than 20 points to register a small gain by mid-session. The Dow Jones Industrial Average stood 5.97 points higher at 2,011.60 in hectic early afternoon trading.

In London, the market rallied, despite choppy trading in New York. The FTSE 100 Share Index closed 8.5 points down at 1,776.5 after having opened 24.1 points lower, and the FT Ordinary Share Index closed 0.5 points lower at 1,415.7.

Yesterday was greeted with undisguised relief by finance ministers and central bankers at meetings of the International Monetary Fund in Washington. They acknowledged, however, that the continuing swings on Wall Street after the publication yesterday of worse-than-expected figures for US inflation had undermined the fragility of financial markets.

Concerted intervention by most of Europe's central banks



together with the US Federal Reserve was sufficient to keep the dollar trading within a narrow range against the D-Mark and Yen. The intervention, however, seems to have sparked renewed interest in sterling, which rose by 2 pence to end on a high for the week of DM2.1376.

Central bank governors of the Group of 10 industrial nations planned their intervention strategy in foreign exchange markets

during a meeting at the US Federal Reserve on Thursday evening. The central banks did not officially acknowledge that the talks had taken place, but it is understood the governors held discussions on the tactics they will adopt if the dollar continues to slide.

Senior monetary officials said that for the short term all the major central banks were prepared to support the dollar through intervention. Mr Nigel Lawson, Britain's Chancellor, acknowledged that there had been a further modest round of intervention yesterday morning.

There is far less certainty among European central bankers about the usefulness of large-scale dollar purchases over a longer timescale in the face of significant market pressure. The monetary officials said that, if the dollar continued to slide, a rise in US interest rates may become inevitable.

Finance ministers, meanwhile, continued to put a brave face on Continued on Back Page

## Former Touche Ross employees face insider dealing charges

BY RICHARD WATERS

THREE FORMER employees of Touche Ross, the accountancy firm, will face insider dealing charges at Guildhall Magistrates Court in the City of London on April 29.

These are believed to be the first charges brought against practising accountants since insider dealing became a criminal offence in 1981.

The three, Mr Arthur Francis Hill, Mr David Ivar Holroyd and Mr Ian Michael Mori, all chartered accountants, face one joint charge under the Companies Securities (Insider Dealing) Act 1985.

It relates to alleged dealings in the shares of Press-Turner, the engineering group, on August 5 last year. The following day a partial offer for the company was announced by Mr Greg Hutchings, chief executive of F H Tom-

kins, the industrial conglomerate. F H Tomkins is an audit client of Touche Ross. But it is believed that the three accountants, all of whom worked in the audit department, were not involved on the Tomkins audit.

The charges against the accountants allege that they "knowingly obtained" information about the bid indirectly from Mr Hutchings.

Mr Hutchings yesterday said his relationship with Touche Ross dated back "years", and that he had used the firm to investigate various Tomkins bids. He also used the firm to investigate the bid for Press-Turner launched by Freemont Group, a company owned by Mr Hutchings' family.

The allegations would not affect his relationship with Touche Ross, Mr Hutchings said.

A former Touche partner, Mr Brian Dineen, who had worked on the Tomkins account, became chief executive of Press-Turn last summer.

The case is likely to turn on whether or not the accountants deliberately obtained information about the bid.

Earlier this week, Mr Brian Fisher was acquitted by a jury at Southwark Crown Court, south London, of two unrelated charges under the 1985 Act on the grounds that he had not "obtained" information about a proposed bid, but had been given it "without any opportunity for him to prevent that information being passed on."

The three accountants, all believed to be in their mid to late 20s, resigned in September, a Touche Ross official said. This followed an investigation by the Stock Exchange.

## MARKETS

### DOLLAR

New York lunchtime: DM 1.6908  
FF 5.8295  
SF 1.373  
Y128.9

### London:

DM 1.6905 (1.692)  
FF 5.8295 (5.840)  
SF 1.372 (1.375)  
Y128.85 (128.85)

Dollar Index 92.1 (92.3)

Tokyo close Y124.13

### US LUNCHTIME RATES

Fed Funds 6 1/8  
3-month Treasury Bill: yield: 5.988  
Long Bond: 9 1/8  
yield: 8.924

### GOLD

New York: Comex June latest \$458.4  
London: \$458.25 (458.75)

### STERLING

New York lunchtime: £1.9885  
London: £1.9885 (1.9755)  
DM 3.1375 (3.1175)  
FF 10.9425 (10.550)  
SF 2.5925 (2.575)  
Y224.00 (224.00)

Sterling Index 78.3 (77.9)

### LONDON MONEY

3-month interbank: closing rate 6 1/8 (6 1/4)

### NORTH SEA OIL

Brent 15-day May (Argus) \$17.075 (16.815)

### STOCK INDICES

FT Ord 1,415.7 (-0.5)  
FT-A All Share 115.11 (-0.5%)  
FT-A 100 1,776.5 (-0.6)  
FT-A long gilt yield index: High coupon: 9.07 (9.10)  
New York lunchtime: DJ Ind Av 2,002.22 (-3.32)  
Tokyo: Nikkei 25,879.21 (-282.14)

Chief price changes yesterday: Back Page

Austria \$242; Bahrain Dhs1.650; Bermuda \$1.50; Belgium FF46; Canada C\$1.00; Cyprus C\$2.90; Denmark Dkr10.00; Egypt E£2.25; Finland Fmk1.00; France FF4.50; Germany DM2.50; Greece Dr220; Hong Kong HK\$1.12; Iceland Islk1.00; Israel NIS1.50; Italy L1,700; Japan ¥100; Jordan Jds1.500; Kuwait Kds1.500; Lebanon L£1.25; Luxembourg LFr5; Malaysia RM2.25; Mexico Ps200; Morocco Mh1.00; Netherlands F1.20; Norway Nkr10.00; Philippines Ps20.00; Portugal Esc20; Saudi Rial 1.00; Singapore S\$1.10; Spain Ptas165; Sri Lanka Rps1; Sweden Skr9.00; Switzerland SF2.20; Taiwan NT\$25; Thailand Bht50; Tunisia Dhs1.000; Turkey Liras1.00; UAE Dirhams2.00; USA \$1.00.

SELLING PRICE IN IRELAND 80p

## WEEKEND FT



### PRICE OF FREEDOM

David Marsh discloses how the West buys freedom for East German dissidents  
Page I

### THE ARMADA

At the start of the 400th anniversary of the defeat of the Spanish Armada, Pedro Schwartz looks at the campaign from the Spanish point of view  
Page XX

### FINANCE

The pitfalls and puzzles of polarisation  
Page VII

### HOW TO SPEND IT

...on fashionable gardens. Plus Robin Lave-Fox on the Somerset Levels and Arthur Helyar on fine shrubs  
Pages XVII and XXI

### ARTS

An A-Z guide to the early-season festivals  
Page XXIII

### PROPERTY

New homes - good points and bad  
Pages XII and XV

### SURVEY

Summer schools  
Page XIX

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## OVERSEAS NEWS

## New York's jubilant Greek Americans crack even Dukakis's cool reserve

AMERICANS of Greek origin are little more than a million strong, which makes them an irrelevance in a presidential election. But they hardly sounded like an irrelevance late on Thursday night when Michael Dukakis arrived at the Crystal Palace, a rambling ball for dances and weddings in the heart of the Greek suburb of Astoria in New York. They made enough noise to drown out even the subway trains that clank past the low rooftops at the corner of Broadway and 31st Street. *Doo-kah-kes. Doo-kah-kes. Less go, Mike. Less go, Mike.*

BY JAMES BUCHAN  
IN NEW YORK

Even Mr Dukakis, who has campaigned through the world's scholastic city as if he were addressing a Governor's staff meeting back in Boston, lost a little of his New England reserve. Hemmed in by carefree cigarette smokers and young women with elaborate hair-dos, he kept sliding into Greek. "I have never been prouder to be a Greek-American," he said.

For Mr Dukakis, Thursday's rally and fund-raiser was a semi-

mental occasion. Back in June of last year, he risked the perilous stairways and rickety chandeliers of the Crystal Palace to launch his bid for the presidency.

In the intervening months, he has moved to the front of the Democratic race and is the favourite to win next Tuesday's New York state primary. Meanwhile, the Greeks of Astoria - a successful but inward-looking neighbourhood of small businesses, coffee shops, tavernas and countless local newspapers - have united behind him to a man. Even Father John, an extravagantly bearded priest who

is 95 but looks older, tells people he saw the Virgin Mary standing with Dukakis in a dream.

"Back in June, when I saw Mike here, I thought: Here is a typical non-Greek," says Mr. Chrysanthos Lazarides, a reporter and Dukakis campaigner on the Astoria newspaper, *Proton*. "I found him extremely non-elusive and a little dull. Greeks are eloquent."

This modest disappointment, even for Mr Lazarides, has long ago been submerged in pride that a Greek-American, a regular, middle-class fellow like himself,

has risen to such great heights. In Astoria coffee shops, men talk politics - not sport as elsewhere in New York - and the first question anybody asks as he picks up the newspaper is the Greek for: What is Mike up to today? For these people, Mr Dukakis is a liberation because he has wiped out the disagreeable memory of their first national politician, President Nixon's disgraced vice-president, Mr Spiro Agnew.

Above all, Mr Dukakis is popular because he does not conceal his Greekness. This goes down well in a neighbourhood which is

in no tearing rush to join the mainstream of American life. A Dukakis presidency would change all that, people in Astoria say. But for the moment, the Astoria Greeks seem happy sitting in coffee shops, wearing clothes just a little too tailored and shoes a little too well-polished for Americans.

On Thursday night, the tremendous Greek welcome may have gone to Mr Dukakis's head. "I don't know where I'm going to put you all," he shouted to the delirious audience, "but on March 25, we're going to have a party in Washington the likes of which have never been seen."

He may come to regret this invitation, referring to one of Greece's national holidays...

Libyan leader Muammar Gaddafi said yesterday he favoured Vice President George Bush as the next US president, Reuters reports from Washington.

Mr Gaddafi said that as Mr Bush had worked with and suffered the "irrationality and foolishness" of President Reagan he would be a better president as he had been an eyewitness of the American damage and "he would sort of make up for it."

## Lawson presses West to ease African debt burden

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

MR NIGEL Lawson, Britain's Chancellor, yesterday called for a series of new proposals to restore impetus to his initiative last year to increase Western assistance to the poorest debtor countries in sub-Saharan Africa.

The Chancellor, speaking at the International Monetary Fund in Washington, said that considerable progress had been made since last year in easing the debt burden of these nations.

Two of the suggestions he had made - the conversion of Western government aid loans to grants and rescheduling of official debt owed to export credit agencies - had won widespread support. The poorest countries would also benefit from the IMF's Enhanced Structural Adjustment Facility.

He acknowledged, however, that some industrial countries had firm objections to his third proposal, that they should reduce the interest rates payable on official debt.

Those countries, however, could still contribute to easing the problem by recycling interest payment arrears in the form of additional aid grants or concessional loans. International financial institutions like the IMF might be asked to ensure that such measures were genuinely additional to existing aid.

Mr Lawson said he hoped that such a scheme could be worked out by the Paris Club of official creditors before the annual meetings of the Fund and World Bank in September.

He added that even with such help, some countries like Sudan and Zambia faced such heavy arrears to the Fund that there was no prospect of them being paid. In the meantime they were cut off from additional help. To break the impasse those countries should be allowed to adopt shadow IMF programmes which, if run successfully for at least a year, would enable them to resume access to IMF loans.

Finally, the Chancellor said

that the World Bank could help sub-Saharan Africa countries by allowing them to convert those fixed interest loans which were still at market rates into floating rate loans. At current market rates that would reduce the debt burden.

Mr James Baker, the US Treasury Secretary, yesterday praised low-income Asian countries for maintaining good rates of economic growth and said they would remain an "important priority" for future US aid disbursements.

Addressing the joint development committee of the IMF and World Bank, he said developing countries, and especially the big trading nations, must assume greater responsibilities in line with their growing importance in the world economy.

He cautioned that "trade restrictions adopted by developing countries in an attempt to address balance of payments problems actually damage their own economies in the long run."



President Reagan yesterday greeted comedian Bob Hope's daughter Judith Richards Hope, a Washington lawyer whom he plans to nominate for the Supreme Court. Other recent nominations for the bench ran into trouble.

## Mexicans upset over US Senate drug vote

BY STEWART FLEMING IN WASHINGTON

THE MEXICAN Government yesterday reacted angrily to a decision by the US Senate calling for economic sanctions against the Central American country for not co-operating fully with efforts to halt the flow of narcotics into the US.

"No one has the right to impose behaviour, ideas, political or economic systems on other peoples," Mr Bernardo Sepulveda, the Foreign Minister, said in response to the vote.

In the face of a warning from President Ronald Reagan that such a decision would tend to reduce co-operation between the two countries in the fight against drugs, the Senate voted by a surprisingly wide margin, 63-27, to reject the Reagan Administration's decision required under a 1986 law, certifying that Mexico had co-operated fully with the US or had taken adequate steps of its own to control drug trafficking.

A Senate staff official said yesterday that the strength of feeling on the issue had surprised even supporters of the resolution.

He pointed out that ten Senators were absent from the vote and that on the assumption that three of them would support the resolution there would be enough votes to override a Presidential veto.

The next stage is for the House to vote on a similar resolution. The White House is insisting that the President will veto a decision to "severely Mexico."

Mexico would be the first country that Congress has threatened if the House follows the Senate. Earlier this year, however, President Reagan certified that Afghanistan, Iran, Panama and Syria were not co-operating adequately in the fight against drugs.

Under the legislation a country which is found not to be co-operating is subject to a cut-off of US foreign aid, and American directors of international development banks must vote against loan proposals for such countries.

Mexico receives no US foreign aid except for \$145m in assistance for combating drugs.

## Danish nuclear vote worries US and Nato

BY MILARY BARNES IN COPENHAGEN AND DAVID WHITE, DEFENCE CORRESPONDENT, IN LONDON

BOTH the US State Department and Nato's Secretary General reacted with concern yesterday to a resolution passed by the Danish Parliament requiring the Government to inform visiting naval vessels specifically of Denmark's policy of not accepting nuclear weapons on its ships. The resolution, it implemented "in a way which is inconsistent with US neither conform nor deny policy would undercut the nuclear defence policy on which Nato's strategy is based", said the State Department.

It goes to the very heart of the mutual and interlocking nature of our mutual commitments within the Nato alliance," the US statement said, diplomats here, seemed to leave open the possibility that the crisis could be resolved if the resolution can be implemented in a way which is acceptable to the US and UK governments.

A Foreign Office spokesman in London said Britain would not change its policy of not declaring the presence or otherwise of nuclear weapons aboard its vessels.

The matter is expected to be raised by ministers when Nato's Nuclear Planning Group meets in Denmark on April 27-28.

expected that he will seek to clarify the country's commitment to the alliance by calling a general election in mid-May.

The resolution conflicts with the long-standing policy of Britain and US neither to confirm nor deny the presence of nuclear weapons on its ships. The resolution, it implemented "in a way which is inconsistent with US neither conform nor deny policy would undercut the nuclear defence policy on which Nato's strategy is based", said the State Department.

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## Japanese terrorist sought in Naples club bombing

BY ALAN FRIEDMAN IN MILAN

POLICE IN Naples said yesterday a Japanese member of the Red Army Faction was the prime suspect in Thursday night's car bomb attack on a US military club which killed five people including an American servicewoman.

But the suspect, 39-year-old Junzo Okudaira, is believed to have been working with Middle East terrorists who planned the attack, which took place on the second anniversary of President Reagan's bombing of Tripoli.

In Rome yesterday, an English-speaking caller with a Middle Eastern accent telephoned the bureau of Agence France Presse, the French news agency, to claim responsibility for the attack on behalf of the Organisation of Jihad Brigades. Late in the afternoon another Islamic group claimed responsibility in a telephone message to the Beirut office of ANSA, the Italian wire service.

According to investigators, who have been joined by US security officials, the Japanese terrorist is thought to have hired a car at Naples airport five days before the attack and packed it with what the authorities describe as "military explosives, possibly plastic." The vehicle was then left outside the USO club in the centre of Naples.

Junzo Okudaira is also thought to have been responsible for the rocket and bomb attacks on the US and British embassies in Rome last June.

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## IMF calls for improvements to international monetary system

BY PHILIP STEPHENS

THE International Monetary Fund's policy-making interim committee yesterday called for further efforts to improve the international monetary system.

In a communique released after day-long talks in Washington, the 22-member committee representing both industrial and developing nations said that the Fund's executive board should continue to develop the use of economic performance indicators to strengthen international policy coordination.

The board should also "keep the working of the international monetary system under continuous review."

That echoed a statement earlier this week indicating that the Group of Seven nations would study French and British proposals for greater management of international exchange rates.

Senior monetary officials, however, emphasised that such studies reflected the long term aspirations of only some industrial nations, and should not be expected to yield early or radical results.

The committee's rather bland communique gave a relatively upbeat assessment of economic prospects. It acknowledged, however, the risks posed by large international trade imbalances and the problems of developing nations in coping with a growing debt burden.

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THE MEXICAN Government yesterday reacted angrily to a decision by the US Senate calling for economic sanctions against the Central American country for not co-operating fully with efforts to halt the flow of narcotics into the US.

"No one has the right to impose behaviour, ideas, political or economic systems on other peoples," Mr Bernardo Sepulveda, the Foreign Minister, said in response to the vote.

In the face of a warning from President Ronald Reagan that such a decision would tend to reduce co-operation between the two countries in the fight against drugs, the Senate voted by a surprisingly wide margin, 63-27, to reject the Reagan Administration's decision required under a 1986 law, certifying that Mexico had co-operated fully with the US or had taken adequate steps of its own to control drug trafficking.

A Senate staff official said yesterday that the strength of feeling on the issue had surprised even supporters of the resolution.

He pointed out that ten Senators were absent from the vote and that on the assumption that three of them would support the resolution there would be enough votes to override a Presidential veto.

The next stage is for the House to vote on a similar resolution. The White House is insisting that the President will veto a decision to "severely Mexico."

Mexico would be the first country that Congress has threatened if the House follows the Senate. Earlier this year, however, President Reagan certified that Afghanistan, Iran, Panama and Syria were not co-operating adequately in the fight against drugs.

Under the legislation a country which is found not to be co-operating is subject to a cut-off of US foreign aid, and American directors of international development banks must vote against loan proposals for such countries.

Mexico receives no US foreign aid except for \$145m in assistance for combating drugs.

## Yugoslavia prepares financing package

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

YUGOSLAVIA is planning together a proposed package of external finance following its announcement this week that it had agreed new standby financing with the International Monetary Fund.

Talks were continuing yesterday in New York between Yugoslav Finance Ministry officials and the main commercial bank creditors, led by Manufacturers Hanover of the US.

Deputy Prime Minister Mr Janez Zemljarić said yesterday that the government had drafted an economic programme which would liberalise prices, cut public spending, boost exports and

restrict monetary growth. It would take effect in mid-May, after the expiry of a current package of measures, including a partial price and incomes freeze.

He was also reported as saying that the country expects to take \$1.4m fresh loans from Western creditors, with whom Yugoslavia is negotiating a rescheduling of its \$2.1m foreign debt.

The European Commission is attempting to persuade EC member states to provide \$400m as a short-term bridging loan until the IMF programme is in place.

Mr Zemljarić gave no details of the final package, but the figures suggest the aim is for \$400m in IMF standby finance, perhaps \$300m from the World Bank, and a further \$300m to \$400m in new money from commercial banks.

Yugoslavia would need governments of the informal Paris Club of Western creditor governments in the next few weeks. While the Paris Club can reschedule debts, it does not provide new money.

The country's main economic problem is soaring inflation of 150 per cent in the year to March. Yet any IMF programme thought likely to include a devaluation of the dinar of between 20

and 30 per cent as well as the abandonment of the price freeze - is likely to worsen the problem before it improves it.

The need for new finance by Yugoslavia is a bit of a puzzle. Its foreign exchange reserves fell to \$650m in February from \$1.5bn at the end of 1986, despite the fact that the country is running a current account surplus. Part of the problem is a large "errors and omissions" item in the accounts, which may be less in part, but due to late payments to exporters and the late remittance of funds by exporters.

The only acknowledged leader is God. In practice, the driving force and direction comes from Tehran and, in particular, the World Organisation of Islamic Liberation Movements established there. A proclamation of objectives issued early in 1985 emphasised allegiance to Ayatollah Khomeini.

US intelligence was convinced that the spectacular Beirut bombings of 1983 were planned and orchestrated by Iranian operatives based in Damascus, including Mr Ali Akbar Mohtashemi, the Islamic Republic's ambassador to Syria, and now Interior Minister. He has been reported as being the instigator of the latest hijacking.

Western diplomats are not so sure. Hezbollah is likely to have developed a growing autonomy of its own. But they point out the air pirates obviously assumed the operation would have the blessing of the Iranian regime which is ruthlessly anxious to exploit for its own ends the terrorism which it has inspired in Lebanon, and to profit from the hostages seized there.

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## US industry maintains high level of output

By Anthony Harris in Washington

US INDUSTRIAL output has remained virtually unchanged for the second successive month in February, maintaining the high level established in January, according to figures from the Federal Reserve yesterday.

However, investment plans are growing stronger. A Department of Commerce survey shows a 4.6m rise in planned investment for 1988, compared with a similar survey conducted last autumn. Investment is now expected to rise 8 per cent in real terms during the year.

Output have been rising strongly since mid-1987, and are expected to grow at a somewhat slower pace through the first half of this year before stabilising at a high level.

The industrial production figures confirm the recent pattern of structural change in US output with strong growth in business equipment and vehicles, but a much softer market for consumer goods and a near-stagnant in defence-related production.

On an annual basis, business equipment is up 7.4 per cent, consumer goods by 4.6 per cent, and defence production by 0.6 per cent. The more recent trends show a strong rebound in vehicle assembly, with car output up from an annual rate of 6.1m in February to 6.6m in March. By contrast, production of household goods and retail foods fell slightly.

It also announced yesterday that output prices of finished goods rose 0.6 per cent in March, after falling by 0.5 per cent in the preceding six months. During the month, the strongest rises were in foods, in chemicals - where the industry is at the limit of its capacity - and in leather goods, where prices are strongly constrained by import competition.

Over the past 12 months, when the index of producer prices rose 1.8 per cent, and manufacturing prices rose by 3.3 per cent, the biggest increases were seen in capacity-constrained industries, led by metals (mainly iron and steel), up by 11.6 per cent, tobacco, where the industry is striving to maintain revenues on falling unit sales, up 11.5 per cent, chemicals (8.5 per cent) and paper (6.7 per cent).

## French prices increase by 0.3% in March

By Paul Selts in Paris

CONSUMER prices in France rose by 0.3 per cent in March compared with the previous month. Provisional figures released yesterday by the national statistics institute, INSEE, showed a rate of inflation of 2.5 per cent, compared with 3.1 per cent at the end of last year.

Until the latest provisional figures, the monthly rise in consumer prices had been held down to 0.2 per cent or less for the past 11 months.

The French figure for March consumer prices compares with a rise of only 0.1 per cent in West Germany, France's main trading partner. Nevertheless, the inflation differential between France and West Germany remains low at 1.5 per cent compared with 2.2 per cent at the end of last year.

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## OVERSEAS NEWS

## Carrian conspiracy trial put off again

By David Dodwell in Hong Kong

THREE FORMER executives in the Hong Kong-based Carrian group, which collapsed in 1983 with debts of about HK\$100m (US\$12.5m), appeared in a local magistrates court yesterday only to have their trial adjourned until November. The charges face 28 charges involving conspiracy to defraud Bumpitua Malaysia Finance (BMF), a subsidiary of Bank Bumiputera.

The trial of Mr George Tan, former chairman of the property and shipping group Carrian Holdings, and two associates, has been still further delayed as prosecutors wait for the extradition from London of Mr Lorrain Osman, the former chairman of BMF.

This finance group was a leading player in the Carrian group. When Carrian collapsed in 1983, BMF was found to be owed about HK\$50m.

Mr Osman faces seven charges of receiving an advantage from Carrian, and has been named as a co-conspirator in a number of the charges faced by Mr Tan and his associates.

An appeal by Mr Osman against the extradition order is soon to be heard by the House of Lords in London. Prosecutors in Hong Kong claim they cannot proceed until Mr Osman arrives in the territory to face the joint charges.

The trial of Mr Tan in connection with BMF has been overshadowed over the past three years by a trial in which he and a number of associates faced charges in connection with Carrian itself. This trial, which was the largest and most expensive ever mounted in Hong Kong, was brought to an abrupt end last September when the judge ruled that none of the defendants had a case to answer.

The ruling proved an acute embarrassment to the Hong Kong Government, and raised questions about the quality and preparation of trial materials by Crown prosecutors.

The BMF trial has had much more controversial impact in Malaysia, where a number of senior government and banking officials were found to be linked with the loans to Carrian. It led to the forced rescue of Bank Bumiputera by the state oil company, Petronas.

As this trial has been repeatedly delayed, so the accused have yet to make any plea against the charges. Meanwhile, they have had their travel documents removed, and have been granted bail ranging from HK\$1m to HK\$5m.

## Sharpeville Six defence lawyers apply for re-trial

BY JIM JONES IN JOHANNESBURG

DEFENCE ATTORNEYS yesterday applied to the Pretoria Supreme Court for a re-trial of the Sharpeville Six, five men and a woman condemned to death after being found guilty of the 1964 killing of Mr Kuzwayo Dlamini, the deputy mayor of the Lesaka black township. The application is only likely to be heard by the court on Monday and, if granted, a re-trial has provisionally been set for May 3.

In March the six were granted an eleven hour stay of execution for four weeks after defence lawyers produced evidence that during the original trial one witness, Mr Joseph Maneta, had given perjured evidence after being assaulted by police.

During the trial the presiding judge would not allow cross-examination of Mr Maneta. Defence lawyers yesterday asked for a re-trial on the grounds of having common purpose with the crowd to kill Mr Dlamini during a protest over rent increases.

In South Africa a finding of guilty in a murder trial carries a mandatory death sentence unless extenuating circumstances are found. Lawyers here argue that extenuating circumstances lie in the facts that Mr Dlamini's killing was not premeditated and that individuals can be carried away when involved in a mob.

## Five Nigerian universities closed after student riots

BY MICHAEL HOLMAN

THE NIGERIAN authorities have closed five universities following riots in the northern city of Jos, where students took to the streets on Wednesday in protest against a 3 per cent increase in the price of petrol.

The government-owned Daily Times reported yesterday that the death toll may have risen to 12, including two policemen. A dusk-to-dawn curfew imposed on Sunday night remains in force. Although the city, the capital of Plateau State, was reported to be calm yesterday, riot police were on duty at strategic points.

All institutions of higher education in the state have been closed, according to newspaper reports. Also shut down are the universities in neighbouring Benue State, the Federal Institute of Technology in Owerri, and the University of Lagos.

## Research body for Malta

BY GODFREY GRIMA IN VALLETTA

THE United Nations Secretary-General, Mr Javier Perez de Cuellar, flew into Malta yesterday to inaugurate an institute for ageing sponsored by the UN Economic and Social Council.

Malta's Prime Minister, Dr Eddie Fenech Adami, said the inauguration was the result of years of planning. The institute, which is based in Valletta, will carry out research into ageing and exchange information on the problems of ageing. Today Mr Perez de Cuellar will address Parliament before receiving an honorary degree.

## UN forms Afghan refugee plan

BY WILLIAM DUFFLORCE IN GENEVA

THE United Nations High Commissioner for Refugees, Mr Jean-Pierre Hocke, expects to have an action plan ready within 10 days for the return of more than 5m Afghan refugees to their homes. The repatriation, provided for in the agreements on the withdrawal of Soviet forces from Afghanistan signed here on Thursday, could cost hundreds of millions of dollars in the first year alone, Mr Hocke said yesterday.

It will be one of the biggest operations ever undertaken by the UNHCR. But, Mr Hocke stressed, the return had to be at the freely expressed wish of the refugees themselves.

Unknown factors remained after the signing of the Geneva accord and would possibly do so for some time, but all Afghan refugees in Pakistan had voiced a desire to return home, "when the crisis permitted" he said.

There are 3.1m Afghan refugees in Pakistan and 2.4m in Iran, according to government estimates. UNHCR is negotiating bilateral agreements with Pakistan and Afghanistan, and intends to establish a unit in Kabul and to build up a logistical apparatus for the repatriation inside Afghanistan.

Iran was not a party to the Geneva agreements but UNHCR was ready to assist in the return of the refugees there, Mr Hocke said.

In its action plan UNHCR will assess the needs in transport, food, medical care, seeds and basic farm equipment for a "module" of 250,000 refugees, which can be "multiplied" as demand for repatriation builds up.

Mr Hocke did not think money would be a problem. Many governments had promised support and he had already been talking to the European Community and non-governmental organisations. Britain has promised an initial \$10m.

Aid provided by UNHCR and the World Food Programme to Afghan refugees in Pakistan since 1979 had cost some \$1.5m, he said. Half the UNHCR aid had gone to children, 25 per cent to women and the rest to elderly people.

A refugee was a civilian, not a resistance fighter, Mr Hocke emphasised. A refugee could not return with a weapon in his hand.

## THE IZMIT CHAMBER OF COMMERCE - TURKEY

ACTING THROUGH THE ANATOLIAN-TURKISH BUREAU (FINANCE & EXPORT) DIVISION - CARPETS OSMANO HALUK S.A., TURKEY, AUTHORIZATION No. 1013-10774

NOW INSTRUCT THE DISPOSAL OF AUTHORIZED AND REGISTERED CONSIGNMENTS OF HAND KNOTTED ANATOLIAN-TURKISH WOOLLEN AND SILK CARPETS AND RUGS BY

## PUBLIC AUCTION

This carefully assembled collection of many thousands of superior examples of the history of design in area of Ottoman influence through the centuries illustrates the glory and history of the Sultans of the Ottoman empire. Divided into consignments, graded and quality controlled, these were to promote Turkish-Anatolian trade and boost export earnings by showing and explaining the superior value of Anatolian rugs.

Prohibitive exhibition expenses and promotional documentation costs into English as well as important deficit now require these examples to be sold at auction together with an Iranian consignment of late Pahlavi period rugs.

## TWO PUBLIC AUCTIONS

TODAY, SATURDAY APRIL 16th AT 11.00 VIEWING FROM 10.00am

TOMORROW, SUNDAY APRIL 17th AT 8.00pm VIEWING FROM 3.00pm AT THE SALE ROOM OF

A. WELLSLEY BRISCOE & PARTNERS LTD, BOXBY PLACE, OFF SEAGRAVE RD., LONDON SW6 Tel: 01-861 8558. Fax: 01-861 4263

Directions: Travelling West along Old Brompton Road, take first turning left after West Brompton tube station into Seagrave Road - take first left again into Boxby Place.

Terms of payment: cheques, cash and all major credit cards.

## PROSPECTS LOOK UP FOR BETTER BILATERAL RELATIONS

## Shevardnadze visit to Israel on the cards

BY ANDREW WHITLEY IN JERUSALEM

HOPES OF a breakthrough within the coming weeks in Israel's relations with the Soviet Union have risen sharply, following reports that Mr Eduard Shevardnadze, the Soviet Foreign Minister, is soon to make a Middle East tour.

Diplomatic relations were broken off during the 1967 Middle East war, and Israel has made the restoration of relations a condition for Soviet participation in any international peace conference on the region.

There were broad hints from Prime Minister Yitzhak Shamir's office yesterday that Mr Shevardnadze may include Israel in his tour, expected to take him to Egypt, Syria and Jordan.

The Prime Minister, a longtime sceptic about Soviet intentions in the Middle East, said he would be willing to extend an invitation to Mr Shevardnadze, provided he could be assured beforehand that it would not be rejected.

Mr George Shultz, the US Secretary of State, is due to meet his Soviet opposite number next

Thursday, when the Middle East is thought likely to be high on the agenda. One Israeli newspaper has suggested that Mr Shultz could then resume his bogged-down shuttle mission.

Some US officials hope that this trip, together with Mr Shevardnadze's visit to the region, might offer a chance to revive the idea of joint US-Soviet sponsorship of peace talks between Israel and Jordan. Jordan's King Hussein has hitherto rejected proposals of this nature, insisting

on the convening of a full international conference, involving the regional parties and the five permanent members of the United Nations Security Council.

Israeli hopes of an early resumption of diplomatic ties with the Soviet Union follow the disclosure that a record number of Soviet Jews were permitted to emigrate last month. The issue is one particularly dear to Mr Shamir's heart. Mr Nimrod Novick, a close aide to Mr Shimon Peres, the Foreign Minister, is

known to have held talks with Soviet officials in Geneva this week, possibly in preparation for a visit by Mr Shevardnadze.

Quentin Peel adds from Moscow: The Soviet Foreign Ministry flatly refused to be drawn yesterday on any hint of a trip by Mr Shevardnadze to Israel.

In response to a specific query about whether Mr Shevardnadze might consider accepting an invitation to visit Israel, the spokesman said the question had "never been discussed."

## UN envoy has drought talks in Ethiopia

A SPECIAL United Nations envoy has had talks with two senior Ethiopian officials on relief for drought victims in the north of the country, where rebel advances have brought food distribution to a standstill, Reuters reports.

The official Ethiopian News Agency said UN Under-Secretary General Martti Ahtisaari arrived in Addis Ababa on Thursday and went straight into a meeting with Mr Berhannu Jemberu, the head of the government's Relief and Rehabilitation Commission.

Gen Ahtisaari also saw the Foreign Minister, Mr Berhannu Jemberu.

His visit follows the Ethiopian Government's decision to withdraw all foreign relief workers, including UN personnel, from the troubled provinces of Tigray and Eritrea.

Ethiopia said it took the decision for the sake of the relief workers' safety. Two left-wing rebel groups have scored big military victories over the Soviet-backed Government in the past two months.

## Paul Betts on media melodramas in the French presidential poll Broadcast squabbles enliven campaign

FRENCH RADIO and television are contributing their own colour to the presidential election. In sub-Dallas style, they have been at the centre of growing scandal and polemics which have reached a superb climax this week with the decision of a well-known member of the country's broadcasting commission to step down.

Mr Michel Droit, a member of the venerable Académie Française and the preferred television interviewer of General Charles de Gaulle, announced on Thursday evening he was taking leave of the broadcasting commission, the CNCL, to defend his "honour" against what he claimed was a defamatory press campaign against him.

His appointment as one of the 13-strong CNCL 18 months ago provoked angry howls from the left, who accused the right-wing Government of placing their cronies on the commission well ahead of the election. Mr Droit has had long standing links with Mr Robert Hersant, the owner of the newspaper Le Figaro.

The latest scandal involves

charges that Mr Droit continued to receive large payments from Mr Hersant, his former employer, after joining the CNCL. He has also been accused of filing an incorrect tax return last year. Mr Droit has vigorously denied any impropriety, claiming that the payments from Mr Hersant involved money owed to him before he joined the commission.

As for the tax charges, his lawyer has claimed it was only an error. The affair, however, has clearly embarrassed Mr Jacques Chirac's neo-Gaullist RPR camp barely 10 days before the first round of the presidential election. The Socialists have used it to renew their attacks against the right's alleged manipulation of the broadcasting commission and state television and radio.

The Socialists have also been enraged by the election television coverage in New Caledonia. Mr Jack Lang, the former Socialist Culture Minister, claimed the right had cunningly sought to show national election programmes in the early afternoon when the entire territory is usually having its siesta, and regional election programmes in



FRENCH ELECTIONS

which the Socialists are not involved at prime evening broadcasting times.

President François Mitterrand's party was also seething this week at another CNCL decision allowing candidates to use recorded sound archives for their campaigns without first asking permission from their authors.

The week before, the commission had ruled that candidates who wanted to use video material of other personalities for their

campaign had to first receive their permission to do so. This forced the Socialists to adapt a campaign video-clip for President Mitterrand by removing pictures of General de Gaulle and other famous individuals who clearly had no chance of being asked if they objected to appearing in Mr Mitterrand's video.

The Socialists, who have said they will change the commission if re-elected, have not been alone in waging a campaign against the CNCL, however. The Communists, too, have complained, as always, about unfair treatment by the broadcasting media. In the last elections, Mr André Lajoinie, the Communist presidential candidate, underlined the point by using up his official television time appearing gagged on the screen and refusing to say a word for about five minutes.

But all the political parties may be overdoing the bronchitis over television, at least judging from viewer reaction. After the first week of official political broadcasts, the ratings are unanimous: even the best candidates cannot muster an audience of more than 13 per cent.

## Preliminary Announcement

Year ended 31st December 1987

	1987	1986	% Change
Profit before tax	£155.0m	£127.0m	+22.0
Earnings per share	47.7p	38.3p	+24.5
Dividends	15.0p	11.5p	+30.4

- UK Cement profits increased by 58 per cent, reflecting a more streamlined and dynamic operation.
- Home Products profits through Armitage Shanks increased by 27 per cent, highlighting Blue Circle's commitment to achieving leadership in this market.
- UK Property Division profits doubled.
- In the United States, apart from readymix concrete in Atlanta, profits generally remained strong.
- In Chile and Mexico, both volumes and profits increased.



## UK NEWS

## Peugeot Talbot turns in best-ever performance

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT

PEUGEOT TALBOT, the UK subsidiary of the Peugeot group, staged a strong financial recovery last year achieving its best result since it was taken over by the French automotive concern from Chrysler of the US in 1978.

The company yesterday reported a pre-tax profit of £18.24m, a £38m turnaround from a loss of £19.36m in 1986, ending a period of eight years in which it ran up accumulated pre-tax losses of £386m.

Since becoming part of Peugeot, the company — originally the Rootes group and then a subsidiary of Chrysler from the late 1960s to 1978 — has managed a marginal profit in only two years, 1985 and 1984.

Last year it shared in the general financial recovery of the UK motor industry, which also

allowed Vauxhall, the UK subsidiary of General Motors of the US, to report earlier this week its best financial performance with a net profit of £31m last year, a £32.7m turnaround from a loss of £1.7m in 1986.

Last month Rover Group announced a sharply reduced pre-tax loss of £21.6m (£455.6m). It was its best financial performance for a decade and Austin Rover, the volume car operations, managed a marginal operating profit of £5.1m.

Peugeot Talbot's net profit last year was £18.24m, as it had to make a provision of £5.23m to cover the estimated loss arising from the ending of its more than 20-year-old contract with Iran for the supply of Paykan car kits (based on the old Hillman Hunter).

Peugeot Talbot turnover increased by 15.7 per cent to £740.15m.

The company's fortunes have been transformed in the last couple of years helped by the successful introduction of new models and improvements in productivity and quality.

UK sales volumes rose by 16.8 per cent to 101,284 cars and have increased by 37 per cent in the last two years. In the last five years it has increased its share of the UK market from 2 per cent to 5 per cent and is aiming to achieve a market share of 6-6.5 per cent and sales in excess of 120,000 units this year.

Mr Geoffrey Whalen, Peugeot Talbot managing director, said yesterday: "1987 promises to be a another good year."



William Stern: return to property market

## Stern joins property group board

By Paul Chesser, Property Correspondent

MR WILLIAM STERN, discharged from a £118m bankruptcy in 1985, has re-emerged on the British property scene as a director of Dollar Land Holdings, a private company with a property portfolio worth around £50m.

He is also managing director of Dollar Land Management, a subsidiary, which is currently buying property from Prudential Portfolio Managers in Feltham, Middlesex.

As managing director of the Freshwater Group in the 1980s, Mr Stern controlled 20,000 flats in London. His company crashed during the property slump of 1984 with debts outstanding to banks, insurance companies and the Crown Agents. He was declared the world's biggest personal bankrupt.

In 1985 he was given a suspended discharge from bankruptcy and was able to resume business operations two years later. His creditors received only a fraction of the sums owed.

Dollar Land was publicly quoted but had a chequered career until it was taken private in 1986 by mainly state-backed Mr David Kirk.

Mr Rupert Cudde, a director of Dollar Land Management, said yesterday that Mr Stern, who has a shareholding in the company, joined the board in the last two months, but had previously done consultancy work for the company.

In its first significant purchase since Mr Stern became a director, Dollar Land is buying a long leasehold interest in the freehold of 16 adjacent shops. Contracts have been exchanged with the freeholder but the deal has not yet been completed. No price has been announced, but it is probably around £10m.

## Industrial output appears to falter

BY SIMON HOLBERTON

THE OUTPUT of British industry appears to have fallen in February, according to official government figures released yesterday.

However, Whitehall officials stressed that the monthly figures tend to be erratic and that undue weight should not be accorded to them. Yet they did concede that the magnitude of the falls — the worst for almost nine years — suggested the onset of a slowing in the rate of economic growth.

Preliminary indices measuring output for February point to a fall in total industrial production of 2.6 per cent after taking account of a fall of more than 3 per cent in manufacturing and a 1 per cent fall in energy sector output.

On a three-month basis, which provides a more reliable indication of trends, manufacturing

output was 5.7 per cent higher than a year previously and total industrial production was 3.8 per cent higher.

Officials cited a number of possible reasons for the fall in manufacturing output: the effect of the Ford strike, a possible problem with seasonal weightings in the indices and the seasonal accounting for 1988 which is a leap-year. But they said these reasons did not fully explain the steep fall in output.

For the past six months, Central Statistical Office statisticians have said that the underlying rate of growth of manufacturing output has been running at around 6½ per cent. Officials said yesterday that they now reckoned the underlying growth of manufacturing output had slowed to 5½ per cent.

This has led to a sympathetic downgrading in the underlying rate of growth for total output, which has been revised down to 3½ per cent yearly from more than 4 per cent.

Within the CSO's manufacturing classification, February production appears to have declined in most industries. Motor vehicles were particularly hard hit as were vehicle parts, where production seems to have fallen by more than 12 per cent against January.

Officials said this steep fall probably reflected the effect of motor industry strikes and contributed to a loss of 0.5 manufacturing index points.

A knock-on effect of the motor industry strikes may have been responsible for the 5.7 per cent decline in metal output and an

8.1 per cent fall in other metals manufacturing.

Output in the chemicals, mechanical engineering, food and textile sectors also declined in February against January.

In the energy sector, the decline in output continued but was exacerbated by a number of factors. A 22 per cent decline in the production of coal and coke was attributed to strikes, while the lower production levels in electricity and gas reflected February's relatively mild weather.

The CSO's index of manufacturing output was 119.3 (1980=100) against an upwardly revised 119.5 in January. The previous month's index was 119.1 (1980=100). In February against a revised 119.1 for January.

## Growth in jobs at 30-year high

BY SIMON HOLBERTON

MORE PEOPLE became employed in Britain last year than at any time for the past 30 years, the Department of Employment said yesterday.

The department estimates that more than 500,000 men and women took up jobs either as employees or self-employed during the year. At its end, Britain's seasonally adjusted unemployment rate amounted to 2,618,000 people, or 8.4 per cent of the working population.

Figures for the fourth quarter show that 24,537,000 men and women were in work at the end of the year — the highest number in employment since the fourth quarter of 1979, when Britain's civilian workforce numbered 24,507,000.

By far the biggest growth areas for employment were the service sector and self-employment, with services accounting for almost all the increase. In spite of buoyant

manufacturing output throughout the year, manufacturers continued to shed labour, though at a lower rate than in previous years.

Of the 504,000 jobs created last year, 255,000 were full-time and 249,000 part-time.

Women appeared to be the main beneficiaries, with 311,000 taking up jobs, 165,000 of them on a part-time basis. Britain has the second highest participation of women in the labour market of any European Community country.

Men accounted for 138,000 of the new jobs. Of these 110,000 were for full-time work and 28,000 for part-time work.

There was also a very large rise in the number of people employed. About 179,000 of the jobs created were for self-employed people.

There was no breakdown available for the types of jobs the

self-employed do, but Employment Department officials said it is assumed that many are in service industries.

Apart from the self-employed, employment in service industries boomed last year. People found nearly 400,000 jobs in this sector, and another 10,000 in 'other' industries.

Manufacturing and the energy and water supply sector continued to retrench, however. Over the year, manufacturing lost 56,000 jobs, while in energy and water supply 27,000 jobs were lost.

For the past two months, however, manufacturing employment has shown some signs of growth, with 11,000 more people than in December. However, as the department noted, monthly figures can be erratic and it is too early to say whether last year's trend has been reversed.

## Inflation rate rises to 3.5%

By Simon Holberton

THE ANNUAL inflation rate rose last month for the first time in six months and stands at 3.5 per cent, say Employment Department figures issued yesterday.

Analysis of the retail prices index, the accepted measure of inflation, shows pressure for price rises across the range of items covered and reflects mostly the transfer of factory-gate prices.

Department officials say another rise in the RPI can be expected for this month as the effects of the Budget and a round of price increases from public authorities and the energy industry pass through the economy.

The extent of this is difficult to determine because the effects of the stronger pound are depressing the index.

Fuel prices fell 0.2 per cent last month for an annual fall of 2 per cent, reflecting oil's lower cost in sterling.

The round of cuts in the mortgage interest rate currently in prospect ought also to reduce the index's growth rate.

Mr Norman Fowler, Employment Secretary, said last month was the fourth consecutive month in which the index was below 4 per cent. He called for wage-bargainers to moderate their demands.

He said: "It is in everybody's interest — particularly the unemployed — that wage-negotiators take note of the fact that inflation continues to be low."

In January and February the inflation rate, as measured by the retail prices index, was 3.8 per cent. Its lowest level since autumn 1986. The index's trend has been downward since October.

The Treasury expects the index to record a 4.6 per cent rise by the end of the year. However, independent forecasters believe this may prove too cautious.

The General Index of Retail Prices for All Items (the RPI) for March 1988 was 104.1 (January 1987=100), compared with 103.7 in February.

## VSEL steps up bid to win £3bn Canadian submarine contract

BY LYNTON MCILAIN

VSEL, the Trident missile submarine builder privatised in a company buy-out and flotation two years ago, is to lead a UK industrial delegation to Canada today, as part of the shipyard's effort to win a £3bn export contract for 12 nuclear hunter-killer submarines.

France is the only other bidder for the work and the UK bid has to be approved by the US government and Congress.

The visit coincides with the launch yesterday by the Princess Royal of the latest Trafalgar class nuclear hunter-killer submarine, the 5,000 tonne HMS Talent, for the Royal Navy.

This is the first time Britain has attempted to sell its nuclear submarines in 30 years of building 20 of these vessels.

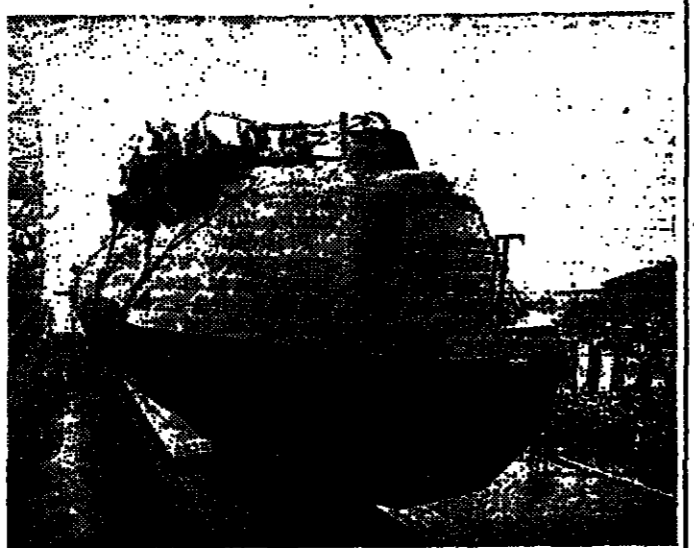
Mr Rodney Leach, VSEL chief executive and managing director, said yesterday the attempt was a "major marketing exercise by UK Limited."

The Royal Navy, the Defence Ministry and the foreign office are all involved.

The launch marks the onset of a new, more aggressive phase in VSEL's campaign to win the Canadian contract, with the company openly attacking the efficacy of the French submarines.

Mr Leach said VSEL had already faced "repeated high level requests from France for assistance in applying the modern methods of nuclear submarine building to their own submarines."

Britain has more experience of



HMS Talent, Trafalgar class hunter-killer, launched yesterday

building and operating nuclear submarines than any Western nation outside the US.

The company is optimistic that the US "will approve" the sale of British nuclear submarines to Canada and expects a final decision by the US Congress by mid the middle of next month.

VSEL's Trafalgar class-hunter-killer submarines would then be evaluated by Canada in competition with the French Rubis nuclear submarines. A decision could be taken by Canada by the end of July.

Most of the Trafalgar class sub-

marines for the Canadian Navy would be built in Canada. VSEL and UK defence contractors associated with the nuclear submarine programme would get work worth between 30 per cent and 40 per cent of the total value of the contract, Mr Leach said yesterday.

The two-week visit to 10 Canadian cities will emphasise a British commitment to transfer nuclear submarine technology to Canada, "creating thousands of jobs," VSEL said yesterday. Canada intends to build the nuclear reactors.

## Code of conduct for RUC made public

BY OUR POLITICAL AND BELFAST STAFF

GUIDANCE to the Royal Ulster Constabulary on how to police Northern Ireland, which was to have been kept confidential, was published yesterday by the Government.

The code of conduct, entitled Professional Policing Ethics, was issued to members of the force last year and RUC headquarters described it as part of an internal confidential document. Sir John Hannon, Chief Constable, said then that it would not be made public.

However, last night Mr Tom King, Northern Ireland Secretary, said that the guidance had been incorporated in the RUC manual and Sir John had agreed that it should be publicly available.

It was being denied in London that it was being published as a result of pressure from Dublin. However, it is understood that the matter was twice raised at meetings held under the Anglo-Irish agreement and that the Anglo-Irish secretaries have made no secret of their distaste for the code. Members of the Official Unionist Party and Democratic Unionists have said it was a by-product of the Anglo-Irish Agreement.

The lengthy document lays

down principles that should be adhered to in avoiding discrimination between the Roman Catholic and Protestant communities.

It says that in pursuing the aims of a peaceful and tranquil community, the RUC works within the law and is required to act in an "objective and sensitive manner." Account must be taken of the various public viewpoints, including historical and cultural background.

"Differences should be acknowledged and respected and it is important that a police officer shows sensible regard for the diversity of views which exist in this community."

"If the Royal Ulster Constabulary is to continue to be effective it must be responsive to the needs and problems of the community it serves."

It states that a police officer shall only use such physical force in the discharge of his duties as is reasonable in the circumstances. He shall treat all persons with equal courtesy, consideration and dignity; shall ensure the well-being of persons in police custody, summon medical attention if required and afford prisoners all rights to which they are entitled.

## Doubts voiced on applied science research centres

BY DAVID FISHLICK, SCIENCE EDITOR

THE ASSOCIATION of University Teachers has voiced concern about interdisciplinary research centres being set up on campuses to explore areas for applied science.

The dons believe the centres are being set up too fast and that there has been insufficient consultation with university staff.

The association, at a meeting in London yesterday, identified six worries about the centres' concept. These included:

• Channeling funds into the research centres at the expense of existing research.

• The types of contract being offered by the three centres planned so far, and the way centres are to be managed. The centres are at Cambridge, Oxford

and Liverpool universities and are to be run by a director with status of departmental head but no teaching responsibilities.

• The speed with which the centres programmes is proceeding.

Ms Diana Warwick, association general secretary, said research was integral to good teaching. She said: "If university research centres are not subject to the shared academic objectives set for the institution by its senate, they move all too readily towards establishment as private autonomous institutions."

The association is seeking a meeting with the Advisory Board for the Research Councils, scientific adviser to the Department of Education and Science, which proposed the centres.

## Freeze urged on Heathrow air traffic volume

By Michael Dones, Aerospace Correspondent

A FREEZE on the number of aircraft movements permitted into and out of London's Heathrow airport, urged by environmental groups close to the airport, will present air traffic control problems have been corrected.

The Heathrow Association has warned against the growing number of reported "air misses" — aircraft coming close to collision — over London and south-east England.

Mr John Boulton, secretary of the group, has written to Mr Paul Channon, the Transport Secretary, urging an end to increases in flight movements at Heathrow because of what he calls the growing threat to air passenger safety of overcrowded skies.

A major collision over the London area is the issue, he says. Mr Boulton said he had been influenced by the "continuing and terrifying spate of near mid-air collisions of passenger jets over the south-east region."

## Government attacks Tory MPs' poll tax rebellion

BY JOHN HUNT

THE GOVERNMENT last night mounted a concerted counter-attack against Tory MPs who are threatening a rebellion in the Commons on Monday against the community charge, or poll tax.

A group of Conservatives, claimed to number 50, is backing a new clause that would introduce a three-tier system linking the charge to ability to pay.

However, last night this proposal came in for intense criticism from Mr John Major, Chief Secretary to the Treasury, Mr Paul Channon, the Transport Secretary, and Mr Douglas Hurd, the Home Secretary.

Even before their speeches there were signs that support for the amendment, sponsored by Mr Michael Bates, Conservative MP for Hampshire East, was beginning to fray at the edges.

Government whips were quietly confident of defeating it even though it is likely to enjoy Labour support. The whips were estimating that Tory support for the move could be whittled down to about 20.

This follows the announcement

by Mr Nicholas Ridley, the Environment Secretary, that rebels will be excluded further to help those on low incomes who will have to pay the charge.

Mr Henry Bellingham, Conservative MP for North Devon West, yesterday asked for his name to be withdrawn from the amendment.

Mr Major said the rebels were mistaken in the view that their proposal would make the charge lower: it had deep and damaging flaws and would introduce a whole range of unfairnesses and anomalies. However, the Ridley modifications would mean an extra 1m people would now receive a rebate and a total of 9m would not have to pay the full charge.

Mr Channon said the amendment was now redundant and he described it as "crude and cumbersome." Mr Hurd said it would create a whole new series of arbitrary earnings traps.

Mr Neil Kinnock, the Labour leader, said yesterday that his party would not encourage people to refuse to pay the tax.

## Heffer accuses Kinnock of apeing Thatcher

By John Hunt

MR ERIC HEFFER, the left-wing Labour MP for Liverpool Walton, who is contesting the deputy leadership of the Labour Party, yesterday accused the present leadership of advocating policies that were "a faint shadow of Thatcherism."

Mr Heffer used the columns of Militant, the newspaper of the far-left organisation, to launch an attack on Mr Neil Kinnock, the Labour leader, and Mr Roy Hattersley, his deputy.

The other contestant for the deputy leadership is Mr John Prescott, the party's energy spokesman.

Mr Heffer's choice of this platform to voice such outspoken views will be seen by his opponents as a sign that Militant favours his candidature.

He said that he had no regrets for his support of the former Liverpool councilors, some of whom were Militant supporters, who have been expelled from the Labour Party.

"The fact that a number of them have been expelled from the party is an absolute disgrace and they should be brought back into the party at the earliest possible moment," he declared.

He makes it clear that he sees the leadership campaign as a struggle to preserve the socialist values of the Labour Party and prevent a move to the right.

"I think it is quite clear that the party has been drifting to the right, particularly since 1983," he states. "The gains that were made by the left are gradually being whittled away."

"If you accept the role of the market that in essence is repudiating the whole basis of socialist politics."

Public ownership of the means of production, distribution and exchange — the items in Clause Four of the party constitution — were essential in order to get production for use and not for profit.

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## Where the UK is headed

WHILE IN Washington for the Group of Seven meeting Mr Nigel Lawson, the Chancellor, must have been reminded of what he hopes will not happen to the UK economy. The retention to the February trade figures demonstrated the continued dependence of the US on the willingness of creditor countries to accumulate dollar assets. Global dollar reserves rose by no less than \$128bn last year. The American authorities have to hope that creditor governments will be willing to accept yet another large increase in 1988, since purely private finance of the US current account deficit is unlikely.

Unfortunately, private economic behaviour could produce results in the UK almost as uncomfortable as those caused by the combination of fiscal irresponsibility and low private savings in the US. The question is whether it is possible to sustain rapid growth in countries with mediocre reputations on the control of inflation, modest propensities to invest and still lower propensities to save.

In the case of the US the problem has been the conjunction of negative government savings and low private savings, the resources gap being filled from abroad. But foreign capital is skittish. Ultimately, the net private capital inflow has disappeared almost completely.

## Dash for growth

What has been happening in the UK over the last two years or so is, in effect, a "dash for growth" driven by private demand. The UK has certainly been in a better position to undertake such an experiment than in previous years. The initial current account position was strong. The UK has large private net foreign assets and foreign exchange reserves of well over \$40bn. The supply-side responsiveness of the economy has also been much improved. In these circumstances the risks of rapid demand growth must have appeared worth running.

One can now envisage three possible denouements. Growth in demand may slow spontaneously, bringing the economy back to its long-run growth rate of 3 per cent, without significant difficulties either for inflation or the balance of payments. Alternatively,

domestic demand may continue to grow at a rate faster than 3 per cent, but be matched by the rate of growth of supply as investment comes on stream, the current account deficit then being limited and readily financeable. Finally, supply growth may fail to match that of domestic demand, the result being an ever-widening current account deficit and, ultimately, a serious foreign exchange crisis.

Of the three possibilities, the first would certainly end the dilemma created by the strong foreign demand for sterling when domestic demand looks over-boon. The decline in output of the production industries in February may give the Government some hope that this is happening. Furthermore, it appears that unemployment is now falling a little more slowly than before. Over the past six months average unemployment has been falling by 44,800 per month but in February and March the seasonally adjusted declines were 32,000 and 28,000, respectively.

## Spontaneous slowdown

If there were a spontaneous slowdown - it is far too soon to tell - it would not be before time. Earnings are rising at 8½ per cent in the economy as a whole. Meanwhile, over the year to February output per head in manufacturing rose by only 2.7 per cent. Thus the short-run effect of a reduction in the rate of growth of output is likely to be a rise in the underlying growth of unit costs, because of the adverse effect on labour productivity.

If there is no spontaneous decline in the growth of demand, the Government's policy of offsetting an appreciating exchange rate with lower interest rates looks sensible, at least given the abandonment of the tight link to the D-Mark. That policy does not preclude a successful "dash for growth," but still curbs the immediate inflationary pressures. Furthermore, if the economy does not enter into a virtuous circle of higher sustained growth, the Government will have the opportunity to raise interest rates again in response to strong downward pressure on the exchange rate.

Optimists hope that the UK is now in a position to make the "dash for growth" work; the differences from the US in the early 1980s and the UK under Mr Reginald Maudling in the early 1960s and Mr Anthony Barber in the early 1970s are thought to be far more important than the similarities. Pessimists fear that the UK will again come to grief over the external deficit with a depreciating currency, higher interest rates and rising inflation. That there is such a wide range of possibilities indicates the risks and opportunities now facing the economy.

## Tim Dickson on the problems facing the newly strengthened management of Société Générale de Belgique

THE PARTIES elected in Belgium's inconclusive general election last December have been talking for more than 100 days and have so far failed to agree a new coalition. The country, accepts this protracted state of uncertainty without appearing to think twice about it.

That public acceptance of confusion has a message for Mr Carlo De Benedetti, in the aftermath of his rebuff at Thursday's extraordinary general meeting of Société Générale de Belgique, the company he has been attempting to control for three months.

The message is partly that there is unlikely to be an early resolution of the stalemate between Mr De Benedetti and his opponents, a loose coalition of French and Belgian interests headed by the Paris investment bank Compagnie Financière de Suez. And it is partly that he has gone about his attempt at La Générale, as Belgium's dominant company is known, in a way which does not suit the Belgian climate of public affairs.

The contrast, indeed, between Mr De Benedetti's style of doing things and the approach favoured by Belgium's grey, secretive business oligarchy was thrown into sharp relief by an incident soon after the start of Thursday's dramatic meeting.

La Générale's white haired chairman - or Governor - Mr René Lamy had just launched into his opening remarks when there was a flurry of excitement from the back of the specially erected marquee and in strode the elegant, beaming figure of Mr De Benedetti to wild applause from his large and often vocal band of shareholder supporters.

It was pure De Benedetti theatre, highly reminiscent of the Italian's triumphant entry to his first Brussels press conference in mid-January. But it counted for little. For a few moments, the grin faded, growing Mr Lamy was non-plussed by Mr De Benedetti's late arrival. But as the events of a long, confused, and genuinely extraordinary day were to demonstrate, it was a short-lived coup de théâtre.

Almost twelve hours later it was clear that the rival group of shareholders, led by Suez, had made a clean sweep of the new board appointments and that Mr De Benedetti and his two Belgian allies Mr André Luyckx and Mr Pierre Schrier - despite attracting around 45 per cent of the votes - had been decisively excluded from the company's seat of power.

Downhearted but defiant, Mr De Benedetti told the assembly that

**The company, at its worst, retains the air of a gentlemen's club with the economic power of an unelected government**

"nobody denies that sooner or later, in a week, in a month, in six months or in a year, my associates and I will play the major role which is coming to us."

If he is not to eat his words, Mr De Benedetti must now consider compromising with the leaders of the rival consortium. His biggest mistake, almost certainly, has been to give too little weight to the Belgian yearning for accommodation - the give and take which has long been a feature of its opaque and furtive business environment, and which is perhaps most visible in the political process leading to the formation of new Governments.

"Belgium is the quintessential country of compromise," was how one analyst put it yesterday. "When someone like Mr De Benedetti comes in and says 'I want, I want' they don't know how to deal with him except to rally round and throw him out." As a result, in this case, a fundamentally divided country closed ranks to defend a hitherto little loved institution.



## A battered old lady looks to the future

Mr De Benedetti showed how far compromise was from his mind in the last ditch negotiations late on Wednesday evening between the two camps. The main stumbling block at these talks appears to have been Mr De Benedetti's stubborn refusal to budge from his demand to be made chairman of a new strategy committee which is now being created to map out the company's future.

Whatever happens between Mr De Benedetti and his rivals, La Générale's newly elected management must now turn its attention to the day to day problems of running a sprawling and in many ways incoherent business empire.

Those problems, and the potential solutions to them, have received remarkably little attention during the takeover battle. The two shareholder camps have been prepared to throw vast sums of money at La Générale - 30 per cent more than asset value in Mr De Benedetti's case, more like 55 per cent for Suez - without spelling out how they proposed to justify such sums. Indeed, the manner in which the rival strategies for the group have been glossed over has been little short of remarkable.

Mr De Benedetti has conjured up a vision of a vast trans-European business empire to take advantage of the barrier-free internal market which the European Community hopes to create by the end of 1992. The Franco-Belgian side has also talked vaguely about cross-border deals and the need for shared international business and share-

holder partners. Both have been notably short on detail.

The 12 new directors elected by shareholders on Thursday all of them nominees of the Suez camp may conceivably provide some new ideas and imagination. They contain a fair sprinkling of the old guard as well as one or two more exciting new faces.

Men to watch include Philippe Bodson, chairman of the employers group, the Fédération des Entreprises de Belgique. He is regarded as one of Belgium's brightest young managers after his turnaround of the Glaverbel glass company. Another significant addition to the board is Jean van Marcke. His recent creation of the small but lively investment group Lesins has made him a rising star of the Flemish business community and a successor to the province's elder statesman André Luyckx.

The task facing the new men is to make sense out of a business which was founded by King William in 1832 and has since played the leading role in Belgium's economic development both at home and abroad, notably in the Congo and the Far East.

Today, it owns a web of often minority stakes in more than 1,500 businesses from cement manufacturing and commodity trading to banking and telecommunications, based in more than 65 countries.

At the heart of La Générale's problems is an inadequate management structure, which has left the company without a formal finance director, chief executive or strategic planner over the years. Yesterday the company

announced a new strategy committee comprising nine of the 23 directors. The committee's members include Mr Lamy and the former EC steel commissioner Viscount Edouard Davignon, together with Mr Bodson and three lay Suez directors, the chairman Renaud de la Genière, Patrick Ponsolle, and Gérard Worms. This would appear to be an important initiative to fill some of La Générale's strategic gaps.

The principles of modern management are not made any easier to apply by virtue of the fact that the company at its worst still combines the distinct air of a gentlemen's club with the political power of an unelected Government.

Despite Mr Lamy's efforts to reorganise the giant portfolio into 10 defined business sectors - a process given new impetus by the arrival in 1984 of Viscount Davignon - the group continues to lack clear aims and is dogged by continuing losses from several important, politically sensitive subsidiaries.

More than a third of La Générale's profits come from its stakes in the buy-out financial services sector, notably the increasingly independent-minded Banque Générale which is Belgium's largest bank and which earlier this year announced an important link with Amro Bank of the Netherlands. Other successful businesses include the Flemish based transport business CMB, the energy, electronics and communications company Tractebel, and CBR, the country's biggest cement manufacturer, which - under new management - is playing an increasingly active role in the Canadian and US markets.

The big problem areas, meanwhile, are the arms manufacturer Fabrique Nationale Herstal (internationally famous for its Browning automatic rifle); the alloy engineering and electronics concern ACEC (controlled by a company called Odeco, in which Société Générale has a 65 per cent stake and France's Compagnie Générale d'Electricité has 35 per cent); and the explosives and chemicals group Gechem. All suffer from poor capital structures, hefty losses in recent years, and severe over-manning which is difficult to tackle due to the extra job losses which would be created in the already depressed and politically sensitive Walloon sector of the economy.

FN Herstal announced 1987 losses of BFR 1.5bn (277m) this week. According to one respected Brussels analyst, the company is not large enough to compete on its own and needs a strong industrial partner, such as Rolls Royce or United Technologies, to supply capital and the marketing and management skills needed to exploit a still-productive product range.

Gechem, meanwhile, whose BFR 3.7bn loss in 1987 is likely to be followed by more deluge of red ink last year, has been making good money in polyurethane and organic products but - constrained by Government disapproval of sales to the Middle East - has been doing badly on its explosive side. A common view is that the company is too small to survive on its own in such a cut-throat international market.

The biggest headache, however, is arguably ACEC. Once one of Europe's proudest and most successful electrical engineering businesses, it is now deemed of its most successful subsidiary Barco Industries and heavily dependent for survival on a far from limitless flow of public sector contracts. Figures to be announced today will show that the company's sales in 1987 amounted to BFR 10.7bn, against BFR 12.7bn in 1986, and that net losses of BFR 216m have been swelled by a further BFR 374m of restructuring costs.

Further rationalisation is already under way. The company is due to be turned into a holding company, and new partners are being sought to run and manage four new operating divisions. The scale of the reorganisation being undertaken by ACEC, the company resulting from the merger of Sweden's Asea and Switzerland's Brown Boveri, shows that much healthier companies than ACEC are taking desperate and imaginative steps to stay competitive in the heavy electrical industry.

With BFR 5bn, of reported accumulated fiscal losses, there would be some consolation for a bidder prepared to take on the enormous social challenge of turning round this group.

The question which any board of directors of Société Générale increasingly must ask is what contribution other than passive shareholder can the company make to the successful, independently run businesses in its portfolio and what management and financial skills can it provide for those so firmly stuck in the sick bay?

The danger for all the shareholders is that in a more aggressive world the many successful companies in La Générale's portfolio which have come under the parent company's powerful political influence over the years will increasingly pursue their own destiny. That as much as anything is likely to give Mr De Benedetti the incentive to re-open negotiations in the next few weeks.

"OH JABER, the wind doesn't bend you," trilled one of the scores of budding Arab poets who phoned Kuwait's radio station this week to express their sympathy for the tiny emirate's hijacking ordeal.

It is a truth that must be dawning gradually on the gunmen in control of the Kuwait Airways jumbo jet for the last 11 days. In the face of the media threats at Mashhad in Iran and Larana in Cyprus - the first two stops on their long flight to Algiers - to blow up the airliner or to stage a "slow, quiet massacre" of the hostages, Sheikh Jaber al-Ahmad al-Sabah, the tough-minded Emir of Kuwait, has remained gravely unflappable throughout.

Despite the fact that three members of the 1,200-strong Kuwaiti ruling family are aboard a particularly embarrassing situation in a country where family ties are supposed to come first - the line has been consistent: Kuwait will not bow to terrorist demands for the release of 17 Arab militants jailed four years ago for bomb attacks on the US and French embassies.

None the less, the affair must be imposing severe psychological strains on the Kuwaiti ruler. Sheikh Jaber, who heads the dynasty which has ruled Kuwait continuously since the 18th century, has little experience of crises of this sort. There is no evidence to suggest that he was instrumental in ending an earlier hijacking of a Kuwaiti airliner, when an Airbus was diverted to Tehran in December 1984 with the hijackers making identical demands. But in the course of his long career, he has often dealt with lawless and subversive elements inside Kuwait.

During the 1950s he was Chief of Public Security in Ahmadi, Kuwait's main oil-producing region, and since that time he has skilfully handled several internal crises as Emir Apparent and Prime Minister and, since 1977, as ruler. A number of experts are also available to provide him with advice in "hijack management."

An awkward feature of the present crisis is the extent to which it involves Sheikh Jaber personally. Since his closure of

## Man in the News

The Emir of Kuwait

## A leader seasoned by a lifetime of crisis

By Alan Rush and Andrew Gowers



the elected National Assembly and suspension of important articles of the constitution in 1986, there have been no state institutions to blame or credible restraints to hide behind. Controlling all aspects of Kuwait's affairs, the Emir is the state, and enemies of the state are his enemies.

This was ruthlessly demonstrated two years ago, when colleagues of the present hijackers attempted to carry out repeated death threats by ramming a car packed with explosives into the Emir's motorcade as it was approaching the Saf Palace. Appearing on Kuwait television on the same day, the Emir demonstrated that he had survived almost unscathed and bravely declared that neither he nor Kuwait could ever be intimidated.

Sheikh Jaber was born in 1926, receiving lessons from tutors and at the local Mubarakia School. As son of Sheikh Ahmad who ruled Kuwait until his death in 1950, he learned statecraft by watching at close quarters the passage of a whole series of crises.

In those days Kuwait, with its clay and coral houses, bore no physical resemblance to the present capital. Yet its political and social life was no less complex than it is today, featuring intrigue and rivalry within the ruling family and among merchant families competing with each other, and with the ruler, for power and wealth.

Unlike many of his family Sheikh Jaber has remained part of that world. Xenophobic and averse to contacts outside the traditional orbit, he rarely leaves

Kuwait except on state visits and is happy to leave the emirate's wide-ranging contacts with other countries to his half-brother and closest colleague, Sheikh Sabah al-Ahmad, the Foreign Minister.

With his long experience in or close to power Sheikh Jaber has cleverly built up alliances even with families formerly intent on curbing or challenging the authority of the Al-Sabah. He has enormously increased his private fortune through independent business activities and the medium of the Heirs of Sheikh Ahmad al-Jaber Trust, but he has a reputation for austerity in financial matters quite out of keeping with the normal largesse of Gulf rulers.

Sheikh Jaber is, however, a hard-working ruler who pays detailed attention to the minutiae of policy. He has been involved

with Kuwait's finances, in particular, since before the emirate gained full independence from Britain in 1961, serving as Finance Minister from the 1960s. He was the architect of the emirate's far-sighted policy of investing its oil surpluses in the international securities and property markets. He has also made it his business since the 1950s to know about oil and about the emirate's urban development.

In earlier, less security-conscious times, he used to drive himself around the emirate incognito in an inconspicuous Volkswagen, his face covered by his ghutra (headcloth).

To those outside the closed circle of Kuwait's social elite, however, Sheikh Jaber can seem rather a remote figure, surrounded by intense security and seen only on television screens and in the framed pictures hanging on every school-room and office wall.

Although he is very popular among many members of Kuwait's majority Sunni Moslems, he has dangerously antagonised the Shi'as - about 20 per cent of native-born Kuwaitis - by failing to halt discrimination against them and by strongly backing President Saddam Hussein in Iraq. Educated Kuwaitis have also been upset by the insistence of strict press censorship and the closure of the National Assembly in 1985.

Clearly, by no means all this is Sheikh Jaber's fault. Kuwait's rulers are always acutely aware of their state's vulnerability, wedged between three powerful neighbours, and with a population only 40 per cent of which is made up of native-born Kuwaitis. But many Kuwaitis feel that the Government should and could have done more to isolate Kuwait from the Iraq-Iran conflict and to serve both sides as a mediator.

As Sheikh Jaber will be acutely aware, the events of the past 11 days - involving Shi'as and possible meddling by Iran - can only have exacerbated these feelings.

Alan Rush is author of *Al-Sabah: History and Genealogy of Kuwait's ruling family, 1728-1967*. (Ibaca Press, London, 1987)

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David Dodwell reports on the increasing rate of emigration of young professionals from Hong Kong

# Baffled by the brain drain

ASK Martin Lee, Hong Kong's maverick politician, to show firm evidence of a widespread demand for rapid political change, and the response is a foregone conclusion: emigration.

After months of insisting that the problem is being overstated — and perhaps even exploited by pro-democracy lobbies — Hong Kong officials are at last acknowledging that emigration is a potentially destabilising force that could gain irreversible momentum in the nine years before China regains sovereignty over the territory.

Last year about 60,000 people left to settle mainly in Canada and Australia. The net outflow, with returning students taken into account, amounted to about 27,000, which compares with a historic average of about 20,000.

It sustained until 1987 and if the departure of young professionals and managers, the loss could inflict severe damage on the economy and to the hopes of British and Chinese officials that "stability and prosperity" will be preserved into the 21st century.

The Chinese themselves recently took the veil off the subject when Xu Jiatun, who heads the New China News Agency and

is effectively China's ambassador in the territory, admitted growing concern in Peking about the exodus, and called on Hong Kong people to think again. Previously, in the words of the head of one executive search company: "It was like Granny's drinking problem — nobody wanted to talk about it."

Since then, Xu has made statements so fulsome in their praise of capitalism that he would have been clearing himself of any undercurrent of self-criticism a mere decade ago. Such statements are clearly aimed at bolstering confidence in Hong Kong rather than redefining Peking's political or economic philosophy.

The debate over emigration moved out of the traditional arena of the media and into the first time yesterday with the publication of the first part of a statistical study on the subject by Hong Kong's Institute of Personnel Management. The study — flawed as it is by its neglect of the manufacturing sector — accounts for 40 per cent of the 2.8m jobs in Hong Kong, and by a sample base of just 39 major companies — nevertheless provides a clear factual indication of how industry sees the exodus.

The sample companies lost 884 employees (less than 1 per cent of total staff) because of emigration

in 1987 — almost double the rate of 1986. But since few clerical or manual staff have the opportunity to migrate, the departures have had a damaging effect on middle management and technical and professional sectors. Almost 80 per cent of those emigrating were aged between 25 and 35.

The service industries were the most seriously hit, particularly finance, where some banks have reported losses last year of up to a quarter of their executive staff due to emigration. Even the Hongkong Bank, which dominates the local banking sector, lost last year 56 of its 670 Chinese executives to new jobs in Canada or Australia. The figures are apparently even higher this year, but the bank has so far been unwilling to release them.

William Poon, chairman of Hongkong Bank, comments: "The loss of such people can be made good, but not indefinitely."

Mr David Li, who heads the Bank of East Asia, Hong Kong's largest family-controlled bank, notes: "Even if we can replace people, there is bound to be an experience gap. There is a real danger that within a decade Hong Kong will begin to lose not just its business know-how, but also some of its ability to function credibly as an international

financial centre." His bank is in the process of acquiring a subsidiary bank in Canada, partly because this can be used as a way of helping staff to acquire a foreign passport without having to resign from the company.

The effects of quickening emigration have been aggravated, paradoxically, by the remarkable buoyancy of the economy over the past two years. After two years of double digit economic growth, with exports up by almost 30 per cent last year and unemployment at a negligible 1.5 per cent, emigration has added to already severe labour shortages. Wages have been forced up, although many executives, having discovered like Mr Greg Crew, managing director of Hongkong Telephone, that because emigration is a response to political worries, it cannot be solved by throwing money at it. "Pay rises just don't help," he says.

The government's commitment to location has been severely hampered. So too has its intention to increase the size of the Civil Service by 4 per cent this year — mainly in the medical services and the police. Even without emigration, the local labour force is growing at just 1 per cent a year, and the government commitment is certain to

exacerbate labour shortages in its areas of preferred recruitment.

"It's a question of living with higher turnover," says Mr Steven Hunt, head of Bank of America in Hong Kong. With the same realisation, Mr Crew at Hongkong Telephone has this month recruited an additional 27 graduate engineers — twice as many as the company would recruit in a normal year.

The government continues to claim that the recent surge in emigration is as much due to changes in immigration policy in Canada as to any collapse of political confidence over the past year. They also insist that insufficient attention is given to the number of people who return to Hong Kong after either studying or working overseas.

Sir David Wilson, Hong Kong's Governor, recently indicated that 17 per cent of migrants are returning. The Institute of Personnel Management challenges this figure, however, saying its figures suggest a bare 10 per cent return.

Even if they do return, no official has attempted to calculate the potential investment that has been lost to the local economy. Students who are almost up to study last year, funded out of family savings. Most

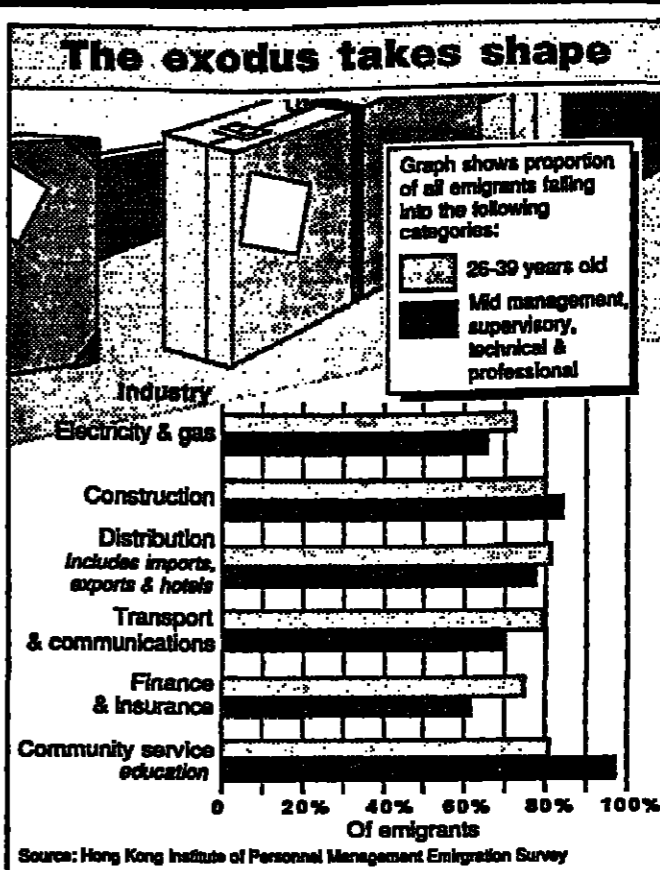
migrants to Canada or Australia take with them about C\$50,000 (£210,000) — half as investment to qualify for settlement, and half to buy a home and pay settling-in expenses.

This suggests that billions of Hong Kong dollars are diverted from the economy each year while the current rate of migration continues. This takes no account of such major overseas investments as the intended purchase of Vancouver's Expo site by Mr Li Ka-shing, one of the territory's most prominent business figures, for about C\$300m.

As Chinese overseas communities grow, so they become less alien to new immigrants, and it is arguable that the tendency to return declines. There are now about 500,000 Hong Kong Chinese in Canada, with Chinese investors owning an estimated 5 per cent of commercial property in cities such as Vancouver.

Hong Kong officials seem non-plussed about the most effective response to the problem. It is clear that the issue of political confidence over the territory's post-1997 future is much more a matter of faith than logic, which means that there is almost no evidence that can be presented to doubters to restore confidence.

Sir David Wilson, while not



A refugee mentality imported from chaotic early lives in mainland China and the experience of political and economic volatility in Hong Kong over the past 20 years, has left most people in the territory more inclined to flight than fight at times of irresolvable uncertainty.

Sir David Wilson, while not

## The British Government and the wild Rover card

BRITISH AEROSPACE's proposed takeover of Rover Group has produced a remarkable range of public reactions. On one view, BAE is making off with UK taxpayers' money on a robbery which leaves the Great Train Robbery looking like a picnic. On the other, it is landing itself and its shareholders with an albatross which will eventually drag it down.

The first view emerged more clearly this week with the publication of Rover's report and accounts for 1987. It was a sobering read for the Government is to put £200m into Rover, and then give the company to BAE for £150m; in other words, BAE is to charge the taxpayer £50m for towing Rover away. The latest balance sheet makes it possible to state the sums differently, though to similar effect.

Rover's net asset value, it now appears, is £333m. To this must be added the Government's £200m injection, plus a small amount of cash flow from the newly profitable Rover in the current year. The new asset value can thus be rounded up to £1.15bn, for which the price is £150m. This leaves BAE £1bn up on the deal,

which seems pretty neat footwork by anyone's standards.

But how much is Rover really worth? The true market value could only be established by throwing it open to the highest bidder, which for various reasons the Government seems determined to avoid. We put the problem to London stockbrokers Phillips & Drew in the following terms: suppose you were advising the Government on selling Rover on the open market, what method would you choose, and how much could it fetch?

The brokers are quite clear on one point from the outset: in its present form it is inconceivable that Rover could be sold by stock market flotation. "No adviser to the British Government," they say, "could possibly counsel putting Rover to the British public. The risks are too great."

But if sold privately, in what form? Many of the group's more marketable bits have been sold off already, from Jaguar to the bus and truck divisions. Phillips & Drew share the common view that the remaining bits, which could be sold separately, before coming down to the irreducible

### Tony Jackson asks how much the car group is really worth

ible nub of the Austin Rover volume car business, is Land Rover.

Last year, Land Rover made operating profits of £22.5m. From that one would have to deduct a share of the group's interest charges, which P&D put at a notional £2m. Taxation being fairly insignificant due to past losses, last year's net profits would thus amount to some £20.5m.

The question then is what multiple of those profits Land Rover could fetch. "It would be hard to put it at more than 6," says Stephen Reisman, P&D's motors analyst. "Jaguar is on 8.5 times earnings, but it has a track record. The same applies to the German manufacturers, which are between 9 and 11 times. Land Rover can operate as a stand-alone, and doesn't need to rest in the bosom of Austin Rover any more, but it shouldn't be worth more than £20m."

There is, however, one big snag. To carry on producing the recovery in earnings which would justify that kind of price, Rover needs cash. Indeed, carrying on with its programme of developing new models is the price of its survival. But with funds, the group has to run hand merely to cover its interest payments.

profits of £55m, compared to £5.1m last year. With the balance sheet in its present state, interest charges might come to £80m, and tax might amount to £10m, leaving net profits of £25m.

The earnings multiple in this case, say P&D, could scarcely be more than five. Peugeot's shares, for example, sell on four times the current price, but have a record of sustained recovery since moving back into profit in 1985. At best, then, Austin Rover could be worth £100m, which gives the group an apparent value of £180m.

There is, however, one big snag. To carry on producing the recovery in earnings which would justify that kind of price, Rover needs cash. Indeed, carrying on with its programme of developing new models is the price of its survival. But with funds, the group has to run hand merely to cover its interest payments.

It can fund its past or its future, but not both.

In other words, it is doubtful whether Rover as presently structured is a going concern at all. This is why the £80m which BAE is charging is not quite the rip-off that it seems. Any purchaser, Ford, Volkswagen or whoever, would have to inject cash to enable Rover to continue its development.

But how much cash? "Rover is worth more to another car company than it is to BAE," Reisman says. The Government would have had to inject something as a going-away present, but it would be very surprising if it had to pay as much as it is doing in BAE's case.

It is that difference which is crucial to the issue, since it represents the cost to the taxpayer of the Government's method of washing its hands of Rover. It is clear that the amount cannot be precisely quantified, but since it is in effect a political levy, it is worth asking why it should be there at all.

Partly, it has to do with jobs. Much of the extra value which Rover would have to another car company would take the form of reduced production costs, either through rationalising UK capacity or switching production overseas.

The real stumbling block, though, appears on the face of the balance sheet. Rover's called up share capital now stands at £2.76bn, a figure which in essence represents the staggering amount of taxpayers' money which has been pumped into the company over the past couple of decades to keep it afloat. The figure has been almost erased by Rover's accumulated losses of £2.67bn, but that does not alter history. To hand all that over to a foreign company, with extra cash on top, would in political terms be scarcely feasible.

Taken all round, it is not hard to see why BAE — neither a rival car company, nor a foreigner — represents a solution for which the taxpayer is responsible. The odds are, but at the heart of that solution

lies a risk which has so far drawn little attention, even from the deal's critics.

Although Rover, in common with others, is presently enjoying an upturn in the British car industry's fortunes, it is possible to imagine a worst case whereby the market turns down in a year or so. Rover continues to lose market share, and the dreary history of losses is resumed.

Suppose, at the same time, that BAE is hit by a combined squeeze on its military business and continued losses on the civil side. Even for the most laissez-faire administration, leaving BAE go under is not an option. It is Britain's only major aircraft producer, of strategic importance to the defence of the realm.

For decades, the British volume car industry has been the classic lame duck, the butt of public ridicule and resentment. If the worst came to the worst, the Government could be preparing itself to dump all that in the taxpayer's lap all over again. It is, on the face of it, ludicrous to imagine that Thatcher rationalising the British car industry — but it is not impossible.

### Complaints to Stock Exchange

From the Chairman of the International Stock Exchange

Sir, I refer to Clive Wolman's article "Share-buyers must continue to beware," (April 9) and his statement that "the efficiency of the Exchange's complaints handling has deteriorated."

The International Stock Exchange investigates all genuine complaints which arise from the actions of a Member Firm of the Exchange. Every letter received is acknowledged immediately. The complaint is then thoroughly investigated, and the complainant is kept fully informed of any material findings during the course of the investigation.

When the Exchange has reached its conclusion, the complainant is immediately informed in writing. If not satisfied with the findings, he or she has recourse to a well-established appeals procedure whereby the complaint is referred to a Deputy Chairman for a ruling. If not satisfied with this ruling, he or she has the prerogative of taking legal action.

In addition to acting on letters of enquiry and complaint from the public, the Surveillance Division has wide-ranging powers both to monitor Member Firms' behaviour on a regular basis and to conduct investigations on its own initiative.

I agree with Mr Wolman that the upsurge of private claims in the number of complaints received by the International Stock Exchange (there are now more than 2m shareholders, more than 100,000 companies, more than 10,000,000 shares) has led to a question of how to deal with the flood of every letter as a result of "too many other things to do."

Sir Nicholas Goodison, London ECU

### Letters to the Editor

#### A fruitful harvest from cultivating the capital tree

From Mr Alan McOustra

Sir, I am surprised that the Chancellor's decision in the Budget to introduce the same incidence of tax on capital gains as income has received so little comment, adverse or otherwise. Yet this decision could prove to be a dangerous precedent, particularly if a government of a different hue gains power.

If it is accepted that there is no difference between capital gains and income and that they should be taxed alike, another administration which wishes to raise income tax to, say, 60 per cent would have logic — if nothing else — on its side if it also

decided to tax capital gains at the same rate.

Capital and income can, in my opinion, be regarded as analogous to an apple tree, where the tree is capital and the fruit which it bears is income. If the tree is cultivated and the fruit is picked each year, with part going to the owner of the tree and part going to the "authorities", the tree should continue to flourish and bear fruit for many years.

As the tree grows it is pruned each year in order to strengthen and, it is hoped, to increase the yield of fruit. A "proper" level of capital gains tax, say 25 per cent, is very similar to this pruning,

but a capital gains tax of, say, 60 per cent (or even 40 per cent) is the equivalent of the tree undergoing regular major surgery to the point where it is weakened and progressively bears less fruit annually.

A continuation of this policy has an inevitable end — the tree withers and dies and there is no more fruit either for the owner or for the authorities. So it will be with a penal capital gains tax. The Chancellor should think again.

Alan McOustra, 5 St Andrew's Court, St Andrew's Square, Edinburgh, ECU

#### A 'miserable' yield and a 'lamentable' record

From Mr David Framantale

Sir, Your excellent article by Christine Stopp (Weekend 11), which has led to an increase in the number of complaints received by the International Stock Exchange (there are now more than 2m shareholders, more than 100,000 companies, more than 10,000,000 shares) has led to a question of how to deal with the flood of every letter as a result of "too many other things to do."

Sir Nicholas Goodison, London ECU

yield been miserable but, as the report from the managers (who are rather pleased with themselves) shows, the capital value of the units has under-performed the FT-Actuaries All Share and Investment Trust indices by 1 per cent and 4 per cent respectively over the past 10 years.

I had always imagined that the low yield was the result of deducting the management charge from income but, alerted by your article, I examined the small print and found that the

deduction is from capital.

This partly explains the poor record on capital value but not the poor yield. The overall record is lamentable and one which I think could be bettered at lower cost by the authorities. So it will be with a penal capital gains tax. The Chancellor should think again.

David R. Framantale, 4 Parkview Court, 19 Cambridge Park, Twickenham, Middlesex

### Negotiate terms for pension transfers

From Mr E.J. Brister

Sir, I take issue with one aspect of Mr Alan Smallbone's broadside against final salary schemes (Letters, April 12). He refers to "Snooks" who had an offer of 20 per cent more from a competitor, but his pension would be scrapped if he moves."

First, anyone leaving a final salary scheme since January 1 1986 will have at least all the pension earned since January 1985 in the hands of the date of leaving and the date of retirement by the annual rate of Retail Price Index or 5 per cent if this is lower.

Furthermore, there is a statutory right to a transfer value on a recommended basis and pension fund trustees must use the same basis for both giving and receiving transfers. In other words, trustees cannot make a "turn" on transfer value money.

Second, and much more important, is the attitude of the competitor who is offering Snooks his salary increase. I can only conclude that Snooks has a great deal to offer the competitor and that it would be quite unjust for the previous employer to be required to fund any pension provision than that now required by law.

There is little or no problem for the competitor in bridging the gap between a full final salary pension and that bought by Snooks transfer value and I suggest that the Snooks of this world should negotiate their terms and conditions of service with this in mind.

Otherwise it seems to me that the new employer is simply getting on the cheap knowledge and expertise paid for by the previous employer.

E. J. Brister, 14 Wensworth Green, Norwich

### Salaried or freelance? — when company pensions are a greater gamble

From Ms Jill Layland

Sir, Keith Standring's assertion (Letters, April 7) that company "final salary" pension schemes are in the best interests of a majority of employees needs to be challenged on a number of points.

I am a woman working part-time and therefore fall into some of those categories Mr Standring fears will be inadequately covered by personal pension sellers.

Yet when I worked freelance, despite having relatively little to contribute to a scheme at that time, every company I approached appeared extremely interested in having my business and the follow up service I received from the company I invested in could not have been

limited.

Later I accepted a job. As an employee I had to join the company pension scheme and was therefore unable to continue with my own plan.

I was happy to make this change knowing that my employer contributed more generously than the average and therefore expected my benefit to be correspondingly greater.

However, three years later I was made redundant and found that since, as with many schemes, the rules entitled me to benefit only from my own contributions, I was left considerably worse off in my pension provision than if I had continued to work freelance and pay into my own scheme.

To its credit my former

employer made me an *ex gratia* payment to compensate, but how many companies would have acted that honourably?

To me the final irony of Mr Standring's letter is that, at the age of 41, despite having had a more stable employment history than many of my contemporaries, the only continuing pension plan (outside the state system) I hold as a direct result of my working history comes from the time I worked freelance — none of my three jobs having left me with any lasting direct provision.

The arguments against "final salary" weighted by length of service schemes, given current trends in working practices, are too well known for me to repeat. Of course there is no reason

why company schemes should not take better account of early leavers and flexible workers, but the majority of them are proving extremely slow to do so.

Pension provisions is a complicated business; understanding both legal and financial aspects of it is difficult and time-consuming for both employer and employee. Even a well-meaning employer who honestly intends to provide a generous scheme can end up, as my experience shows, providing poorly for some employees.

Finally, the inertia factor weighs heavily — how many people really bother to read the small print of any pension scheme until they find themselves adversely affected by it? More competition will at the

very least raise the general level of consciousness and demand for better designed schemes from both employer and employee.

Further, since employers are only obliged to contribute a minimal amount to any personal scheme the scales are still weighted heavily — and unfairly — in favour of company plans.

Finally, let me agree with Mr Standring that pensions are too important to gamble with. For many people, however, the greater gamble up to now has proved to be in company not in personal schemes.

Jill Layland, 32 Birchwood Road, Peto Wood, Kent

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Flexi Saver Plus	7.50	7.50	Yearly	Thru	Chq M/Chq Card £5,000/10,000				
Current acc.	4.00	4.07	Monthly	£1	Chq M/Chq Card				
Share account	4.00	4.04	£1	Instant	Inst. acc.				
Flexi Saver Plus	6.50	6.56	£1	Inst. acc.	Inst. acc. or 20 yrs				
Prime Plan	7.50	7.50	Yearly	£10,000	3 mths 7.25/6.75/6.25/5.75				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	6 mths 6.50/6.25/5.75/5.25				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	9 mths 6.25/6.00/5.75/5.25				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	12 mths 6.00/5.75/5.25/4.75				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	15 mths 5.75/5.50/5.25/4.75				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	18 mths 5.50/5.25/5.00/4.75				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	21 mths 5.25/5.00/4.75/4.50				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	24 mths 5.00/4.75/4.50/4.25				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	27 mths 4.75/4.50/4.25/4.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	30 mths 4.50/4.25/4.00/3.75				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	33 mths 4.25/4.00/3.75/3.50				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	36 mths 4.00/3.75/3.50/3.25				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	39 mths 3.75/3.50/3.25/3.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	42 mths 3.50/3.25/3.00/2.75				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	45 mths 3.25/3.00/2.75/2.50				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	48 mths 3.00/2.75/2.50/2.25				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	51 mths 2.75/2.50/2.25/2.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	54 mths 2.50/2.25/2.00/1.75				
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Flexi Saver Plus	7.50	7.50	Yearly	£10,000	81 mths 0.25/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	84 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	87 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	90 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	93 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	96 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	99 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	102 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	105 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	108 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	111 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	114 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	117 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	120 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	123 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	126 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	129 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	132 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	135 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	138 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	141 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	144 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	147 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	150 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	153 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	156 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	159 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	162 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	165 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	168 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	171 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	174 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	177 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	180 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	183 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	186 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	189 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	192 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	195 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	198 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	201 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	204 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	207 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	210 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	213 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	216 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	219 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	222 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	225 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	228 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	231 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	234 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	237 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	240 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	243 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	246 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	249 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	252 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	255 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	258 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	261 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	264 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	267 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	270 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	273 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	276 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	279 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	282 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	285 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	288 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	291 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	294 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	297 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	300 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	303 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	306 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	309 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	312 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	315 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	318 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	321 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	324 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	327 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	330 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	333 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	336 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	339 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	342 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	345 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	348 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	351 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	354 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	357 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	360 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	363 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	366 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	369 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	372 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	375 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	378 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	381 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	384 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	387 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	390 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	393 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	396 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	399 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	402 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	405 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	408 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	411 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	414 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	417 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	420 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	423 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	426 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	429 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	432 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	435 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	438 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50	Yearly	£10,000	441 mths 0.00/0.00/0.00/0.00				
Flexi Saver Plus	7.50	7.50</							

## UK COMPANY NEWS

## UK cement boosts Blue Circle

BY MICHAEL SMITH

A STRONG improvement in the profitability of UK cement activities helped Blue Circle to announce 1987 results yesterday at the top end of analysts' expectations.

The company made pre-tax profits last year of £15.5m, a 32 per cent improvement on the £12.7m of 1986, on sales of £1,070m (£1.1bn). Earnings per share were up from 38.3p to 47.7p and the dividend was lifted by 30 per cent from 11.5p to 15p, with a 10p final.

This performance was assisted by a 53.3m reduction in pension fund contributions.

The cement advance, which was helped by stripping out about £30m of production and distribution costs, was accompanied by a decrease in UK market share from 56 per cent to 54.5 per cent.

The company said it would not be seeking a review of the board of Birmid Quilcast, the home products group in which it has a 43 per cent stake following an unsuccessful takeover bid earlier this year.

Mr David Poole, managing director, said the company continued to believe that Birmid would be an excellent fit with Armitage Shanks, its home products subsidiary. Blue Circle was committed to achieving market leadership across a wide area of the home products market.

UK cement, which improved trading profits from £28.5m to £45.6m, has started the current year well. In the first quarter sales by volume were 11 per cent ahead, partly as a result of the mild winter.

The volume improvement for the whole of last year was between 1 and 2 per cent. Prices reductions meant that UK cement turnover fell from £370m to £353m, but margins benefited by closure of depots and a reduction in the workforce and lorry fleet.

Mr Jim McColgan, Blue Circle cement chief executive, said that market shares were less meaningful following the abandonment of the common pricing



David Poole, managing director

agreement last year. Blue Circle was no longer obliged to supply cement at uncompetitive prices and was a more profit-driven operation.

In the US, the group's profits fell 24.4m to £35.5m. The fall in the value of the dollar was

responsible for £4m of the reduction in heavy price competition in the Oklahoma cement market and in the Atlanta ready-mix business also took its toll.

Armitage Shanks, home products subsidiary, improved operating profits by 37 per cent to £12.5m, with £12.3m coming from the UK. Mr David Poole, managing director, said the US arm of Armitage may be sold.

Profits from property doubled to £16.7m. The property programme will continue to expand following the start of work last year on the Chafford Hundred new town project in Essex and the opening up of space shortly at the Crossways 25 business park at Dartford.

The group's net debt fell from £33.7m to £14.7m and gearing from 42.9 per cent to 15.5 per cent. This has since risen to above 20 per cent.

Extraordinary profits of £71.2m mainly represent surpluses on disposals of investments in Australia, New Zealand and Spain.

See Lex

## Dawn raid by rival angers Cap Group

Cap Group, the UK software company which is planning to merge with France's Sema-Metra, reacted angrily last night to the disclosure that the dawn raid who last week picked up 14.9 per cent of its shares was Cap Gemini Sopht (CGS), Europe's largest computer services and its main rival.

The boards of Cap and Sema-Metra have no intention of creating any close relation with CGS, the company said in a vigorously worded statement.

CGS had tried to present its purchase of the stake as unobjectionable. It said that it supported the proposed merger with Sema-Metra, which fitted in with its view that the computer services sector in Europe needs to be restructured with the formation of large groups of the same size as the major US companies.

It said it had no intention to bid for Cap, but rather hoped to protect the combined group, to be known as Sema-cap, from other "interventions" which might alter its European character.

But Cap and Sema-Metra officials reacted that they had no desire for CGS's protection and regarded Paribas, the French investment banking group which is Sema-Metra's main shareholder, and CIB, Cap's principal investor, as wholly adequate security against a non-European or European takeover.

The plan to merge Cap with Sema-Metra was carried yesterday at a Cap shareholders meeting by a 93.4 per cent majority.

Sema-cap will have a combined annual turnover of around £250m, on a par with the UK's Systems Designers, but well behind CGS's FF4.175m sales in 1987.

The two companies said CGS netted a seat on its board, nor any contact with its management, nor any business co-operation, but would continue to compete vigorously against it.

"They will get an annual report, and perhaps a diary," said Mr Alan Benjamin, a Cap director.

Cap of the UK owned a joint European subsidiary with Cap France until 1975, when the latter merged with two other French computer services companies to form CGS. CGS has since embarked on a rapid expansion, both through international growth and through a string of acquisitions.

## BAT accuses Farmers as takeover battle heats up

BY NICK BUNKER

THE \$4.5bn (£2.5bn) takeover fight launched by the UK's BAT Industries for Los Angeles-based Insular Farmers Group heated up yesterday as BAT accused Farmers of deliberately trying to avoid meaningful negotiations about the bid.

BAT, the tobacco, retailing, paper and insurance multinational, also warned that the Farmers' board could be "vindictive" in their fiduciary duties to shareholders if they went ahead with their alternative plans for a leveraged buy-out.

Hopes of an imminent meeting between the two sides now appear to have collapsed, because BAT says it cannot accept the terms on which Farmers wanted to bid.

Earlier this week, Farmers offered BAT a meeting to name a

higher price than the current \$68 per share, and said it would provide unpublished information about itself. BAT provided BAT signed a confidentiality agreement.

But in a strongly worded letter to the Farmers' board yesterday, Mr Patrick Sheehy, BAT's chairman, said the agreement's terms were "unreasonable" and Farmers had rejected BAT's suggestions for altering them.

"In spite of the appearance of the letters and announcements from Farmers' management, we can only interpret these as a clear attempt to avoid negotiations," he added.

BAT's objections to the confidentiality agreement, which has not been published, hinge on the fact that it apparently contains so-called "standstill" clauses which might block the British

group from buying any Farmers shares if it failed to agree a price with Farmers' management.

In his letter, Mr Sheehy said BAT was prepared to raise its offer, but was "extremely concerned" that the Farmers' management might approve the sale of the group to a leveraged buy-out investor group. "Such a transaction could create meaningful regulatory uncertainties but provide significant monetary rewards to the investor group in the event of non-completion," he said.

Farmers Group added to the war of words yesterday by saying that BAT had failed to accept its invitation to a meeting. "Farmers will now proceed on the assumption that BAT does not wish a meeting and really has no higher price to propose," said Mr Leo Denham Jr, the group's chairman.

## Whinney Mackay-Lewis shares fall after warning on profits

BY PATRICK DANIEL

THE SHARE price of Whinney Mackay-Lewis, USM-quoted architectural firm, fell yesterday after the company revealed that two sizeable projects on which it was working have been brought to a premature halt.

The company said in a statement that its architectural practice was unlikely to be profitable in the second half of the present year, ending April 30.

Mr Ian Gardner, finance director, said that in addition, about six other projects had been revised on the drawing board against earlier expectations that they would proceed to the construction stage.

Most of the projects were in the City and London's west end. The company's project control subsidiary, Johnson Jackson & Jeff, acquired in January for £2.07m, was unaffected and would help the company's full-

year results. City forecasts are that Johnson Jackson is expected to post a profit of £300,000 for the year. The architectural practice is thought likely to end the year with £400,000, against first-half pre-tax profits of £517,000 in the six months to end-October.

"I would lay some blame on the door of market conditions after the October stock market crash," Mr Gardner said.

## Agreed offer for Prontaprint

BY PATRICK DANIEL

Prontaprint Holdings, the USM-quoted franchiser of print and copy shops, has received a £10.1m buyout offer from Continuum Stationery (CS), the business forms manufacturer.

The recommended offer values each Continuum share at £39, a 34 per cent premium over Wednesday's suspended price of 10.3p.

Against its 80p share price a week ago, the offer represents a premium of 73 per cent.

CS, which has a market capitalisation of £7.1m at yesterday's starting price of 8p, is offering 11 of its shares plus 380p in cash for every 10 Prontaprint shares.

The offer, agreed by both boards, also includes a cash advance of £19.6p per Prontaprint share.

The deal will mean a maximum cash payment by CS of £2.2m, to be met from its own resources,

and a new share issue of about 8.4m CS shares which amounts to 51.8 per cent of its enlarged share capital. The offer is subject to approval by CS shareholders.

The acquisition will be CS's fourth in the last 18 months. Although its interim results for the six months to October 2 saw pre-tax profits down 40 per cent to £200,000 on turnover of £4m, it is expected to close the current year with pre-tax profits of £250,000.

Mr Michael Garner, group managing director of CS, said the price was a fair premium for Prontaprint's High Street presence.

CS will acquire a franchise network of 288 print shops in the UK and another 138 outlets overseas.

Prontaprint had a poor spell in 1986, but recovered to post pre-tax profits of £307,000 for the six months to October 9 last year.

Following the disposal of two loss-making franchises, pre-tax profits of £550,000 are expected for the year ending March 25, against £121,000 a year earlier.

CS has forecast a £200,000 saving from the closure of Prontaprint's head office in Jersey if the acquisition is made.

Yesterday's joint announcement by the two companies said CS has obtained undertakings from shareholders representing 64.3 per cent of Prontaprint's shareholding.

This includes a 37 per cent stake held by Mr Edwin Thirwell, Prontaprint's chairman. Mr Thirwell will receive £2.2m in cash and 1m CS shares or a 6 per cent stake. He is expected to join the CS board as a non-executive director.

CS's share price rose 2p yesterday to close at 89p.

## Parkfield pays £14.2m for Kent Alloys

By David Waller

Parkfield Group, diversified engineering and distribution conglomerate, is paying a total of £14.2m to acquire Kent Alloys from GKN, engineering group.

Kent makes aluminium alloy wheels for cars and thus complements the activities of Eurocast, another wheel-maker bought by Parkfield in October last year.

The cash element of the consideration is £11.1m, to be raised by a placing of new Parkfield shares at 318p, representing 7 1/2 per cent of the company's enlarged equity.

Parkfield has also undertaken to settle £3.1m of debt due by Kent to its former parent.

Kent, which has net assets of £5.1m, made pre-tax profits of £1.2m on turnover of £24m last year. It produces 15,000 wheels a week, although capacity is expected to expand to 20,000 later this year after an investment programme.

Parkfield's shares fell 7p to close at 333p.

## Fishermen's Petrol in red

Fishermen's Petroleum, suffered a pre-tax loss of £11,500 for 1987 compared with a profit of £5,283 the previous year. No dividend has been declared.

The company has interests in North Sea oil operations and the directors are recommending a rights issue to raise £250,000 required to help finance operations in Block 12/16.

A loss per share of 3.85p (earnings 1.44p) was recorded.

## Sears has nearly all of Freemans

Sears, the retail, betting, and jewellery group which takes in Selfridges, has tied up its £477m bid for mail order business, Freemans. Sears claimed control in late-January after which the offer was recommended. However, the prospect of capital gains tax changes in the Budget appeared to delay some acceptances.

By the close on Thursday, however, Sears either owned or had received valid acceptances in respect of 160.9m Freemans shares, or 99.57 per cent. Included in the 9.2 per cent stake held by Great Universal Stores.

## Norcross stake changes hands

By Nikki Tall

Morgan Stanley International, the stockbroking arm of the American investment house, has confirmed that it bought a 4 per cent stake in Norcross, building products and specialist paper and packaging group, from Williams Holdings on March 23.

However, section 212 notices served by Norcross have elicited that almost 3m shares had been sold on by the US broker by April 12, leaving it with 2.15m shares.

Yesterday, Morgan Stanley refused to say where the shares had gone, because "it is not our policy to comment on market operations." Norcross itself said it believed - on the basis of market soundings - that the shares may have been bought by a number of institutions, but it took no part in finding the buyers and is still trying to track the new holders.

## T&amp;N in £12m deal with Borden

BY MAGGIE URRY

T & N is selling Storeys Decorative Products, wallcoverings business, Transprints (UK), transfer printing company and Rembrandt Engravers, to Borden, US-based group, for £12.5m.

The group said the businesses did not fit with its core activities of automotive components, engineering and industrial materials.

The deal is the 30th acquisition by Borden, food, wallcoverings and chemicals group, in the last

two years. Last week it bought Sooner Foods, snack food company, from Rowntree, confectionery group, for £24m.

Borden is already the UK market leader in printed wallcoverings through Crown Wallcoverings, bought from Reed International in 1985, which has an 18 per cent share of the market. Storeys will add a further 3 per cent.

Mr Fred Lewis, chief executive

of Crown Wallcoverings, said the purchase of Storeys "adds a well respected brand for Borden in Europe and provides valuable production capacity to meet rising market demand."

Borden claims to be the largest wallcoverings manufacturer in the world with production in the US, Canada and West Germany as well as the UK. It expects to produce 50m rolls of wallpaper in 1988, against worldwide sales of \$325m (£175m).

The shares were placed at a net 200p, with L&M's stockbroker, Phillips & Drew, receiving only an agency fee. L&M shares closed 2p higher at 199p.

As a result of the placing, Merchant Navy Officers Pension Fund now holds 8.77 per cent of L&M, and Edinburgh Investment Trust has increased its stake to 5.92 per cent.

## LET disposes of L&amp;M stake

BY CLAY HARRIS

London & Edinburgh Trust has sold its final 16.4 per cent stake in London & Metropolitan, the property developer which it helped to found in 1980. The disposal was achieved through an institutional placing arranged at the behest of L&M.

LET raised £16.4m through the sale, which L&M had sought to remove doubts over the future of the holding. Under the terms of the flotation of L&M in November 1986, LET had been free to sell the stake since April 1.

L&M was created as a joint venture between LET, itself a leading property developer, and Balfour Beatty, construction subsidiary of BICC. The partners' shares fell to 20.5 per cent each as a result of the flotation and were further diluted by a subsequent rights issue.

BICC's 16.4 per cent stake has created less uncertainty, because the two companies are not involved in the same business. Despite the disposal, LET and L&M said they planned to con-

tinue their close commercial relationship and were studying several possible joint ventures.

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## Chrysalis records sharp fall

BY VANESSA HOULDER

Chrysalis Group, the entertainment and leisure services company, yesterday announced a sharp reduction in profits for the second half of 1987. Lower profits from the record, machine and property divisions, pushed interim pre-tax figures down from £5.0m to £2.01m - a reduction of 60 per cent. Turnover decreased from £68.65m to £52.55m.

Mr Chris Wright, chairman, said that the results were broadly in line with the levels predicted in his last statement. Group profits for the second half were expected to show a significant improvement, he said, and overall trading profits should be marginally ahead.

The downturn in the group's largest division, record, music publishing and entertainment, was a result of the heavy loss of record releases towards the second half of the year, said Mr Wright. Turnover of the this division fell from £44.9m to £36.7m, with profits down from £3.82m to £1.45m. The UK record company made reduced profits while the US record business posted a loss.

The property division produced a loss of £45,000 compared with a profit of £300,000 last year. The result which was scored on turnover down from £2.2m to £200,000, was attributed to minimal sales while the company re-established its property stock which had run down by the end of the previous financial year.

The machine division, which operates juke boxes and amusement machines recorded profits down from £230,000 to £200,000, after incurring costs from an office move.

The facilities side, which operates sound recording facilities and provides services to the television, film and video industries, increased profits from £130,000 to £270,000.

The company is planning to move its year end from June 30 to August 31.

Earnings per share fell from 12.53p to 4.89p. The proposed dividend is unchanged at 3p per share.

comment

After repeated failures to live

up to City expectations, these dismal results might be expected to widen still further Chrysalis's credibility gap. But, following the chairman's downbeat statement in January, the City was prepared to take a sanguine view and the shares closed unchanged at 125p. Volatility is a fact of life in the music industry, particularly when profits depend on a mere handful of stars. Not only is the success of records inherently unpredictable but the timing of release schedules is scarcely geared to meet the demands of the financial year. Thus, this year, in contrast to the last, will show results heavily skewed towards the second half. Chrysalis recognises that it needs to expand its roster of artists and is only investing money and effort to develop new acts. However the benefits may take years to filter through and in the meantime Chrysalis is unlikely to improve on its present rating of 9 - which assumes that the company will make £5.5m this year and incur a 40 per cent tax charge. A generous yield of 8 is probably the best - and perhaps only - reason to hold on to the shares.

comment

After repeated failures to live

## Devenish pays up to £7m for drinks wholesaler

BY VANESSA HOULDER

J A Devenish, west country brewer and pub operator, yesterday announced the acquisition of Canobury Holdings, drinks wholesaler, for a maximum £7.4m.

The consideration will comprise an initial payment of 1.5m shares, at an agreed price of 810p per share, and a deferred profit-related payment also in shares, payable at the end of 1988. The former majority shareholders in Canobury will stay on as executive directors of the company.

Canobury, which wholesales beers, wines, spirits and soft drinks in greater London and along the south coast, produced pre-tax profits of £362,000 and

turnover of £10.5m for the year to September 1987.

The sale follows a reorganisation last September in which all but the drink wholesaling business were transferred to vendor-controlled companies.

The purchase, which follows the acquisition of Selgman, Birmingham-based wholesaler last year, is in line with Devenish's policy of expansion into the composite drinks wholesaling business.

The group has adopted a more expansionist strategy since it merged its operations with Inn Leisure, fast-growing, USM-quoted operator of pubs and wine bars in early 1985.

## Throgmorton lifts stake in Framlington

By Nikki Tall

Throgmorton Trust, the £225m investment trust which is making an unwanted bid for its managers' parent company, Framlington, yesterday announced that it had picked up a further 250,000 shares in its target. The latest shares were bought at 190p and take Throgmorton's interest to 3.16m ordinary shares or 10.7 per cent. Throgmorton also holds convertible preference shares.

Throgmorton posted its offer last week with an April 26 closing date. Framlington, meanwhile, continues to search for a third party willing to make an offer for the company.

comment

After repeated failures to live

## P&amp;P joining the main market with £50m tag

BY FIONA THOMPSON

P&P, the distributor of micro computers founded by Pam and Peter Fisher eight years ago and now one of the UK's leading suppliers of personal computers, is joining the main market next Thursday with a placing likely to value it at between £45m and £50m.

The company, based in Rosendale, Lancashire, announced in February pre-tax profits more than doubled from £2.1m to £4.3m in the year to November 28 1987. Turnover rose 95 per cent from £26.1m to £70.2m.

At the time of the results, the company also announced the appointment of Professor Roland Smith, chairman of British Aerospace, as non-executive chairman of P&P.

Mr David Southworth, managing director, was brought in by the founders two years ago to develop the business in preparation for flotation. With £10m to £15m in new money being raised, Mr Southworth wants to acquire companies which will allow P&P

to offer more specialist value added services.

The company has, in fact, acquired two such companies, both entirely for shares, the details to be announced on Tuesday. They are Broadword Systems and Training International.

Broadword is a networking company - a company which devices systems to allow a number of personal computer terminals to talk to each other. It is an IBM and International devices.

Training International devices courses to teach both dealers and end users (corporate customers), how to use new systems.

## Dinkie Heel

Dinkie Heel lifted pre-tax profits from £28,174 to £138,963 in 1987, on turnover of £3.16m against £3.05m.

The directors recommend a final dividend of 0.3p making a total of 0.5p (0.4p).

## Sperati calls off plan for insurance broking foray

BY NICK BUNKER

C A Sperati (The Special Agency), the business and zip merchant, has called off by mutual consent its plan to join forces with Mr Tony Keys and Mr George Boden, two well-known London insurance broking executives.

The two men are believed to have decided to seek other business opportunities in the broking industry.

The news late yesterday afternoon failed to dent Sperati's share price, which closed unchanged at 51s.

Last December Sperati said it was inviting the two men to become directors as the prelude to a foray into the insurance field.

Mr Keys and Mr Boden were among the executives from Stewart Wrightson, the Lloyd's insurance broker, who left that firm after it was taken over last summer by Willis Tower, a rival broking group.

Sperati said last night that it would not now exercise its option agreement to buy Anstorf Management, a company formed by Mr Boden and Mr Keys, and the two men would not be joining the board. Sperati added that it would continue to look for suitable acquisitions.

## DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Blue Circle	10	July 8	8.5	15	11.5
Cap & Reg Prop	0.2	June 9	0.2	0.3	-
Chrysalis	2	July 4	2	7	-
Dinkie Heel	0.5	-	0.5	0.4	-
F & C Pacific	0.78	-	0.7	1.08	1

Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. §Unquoted stock. ††Unquoted stock.

## LONDON RECENT ISSUES

EQUITIES										
Issue Price	Amount Paid	Latest Date	2000		Stock	Dividend Rate	+ or -	Net Diff.	Percent Gain	P.E. Ratio
			High	Low						
1	P.P.		185	150	Acme Ind. 50p	195	49	W.S.5	21	24.5
1	P.P.		185	150	Acme Ind. 50p	195	49	W.S.5	21	24.5
1	P.P.	1225	98	90	Acme Ind. 50p	195	49	W.S.5	21	24.5
1	P.P.		122	12	Acme Ind. 50p	195	49	W.S.5	21	24.5
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## INTERNATIONAL COMPANIES AND FINANCE

## Daimler-Benz plans bid for remaining AEG stake

BY HAIG SIMONIAN IN FRANKFURT

DAIMLER-BENZ, West Germany's largest industrial group, confirmed yesterday that it intends to bid for the remaining 44 per cent of AEG, the German electrical and electronics company of which it bought control in 1985.

Daimler is offering, subject to approval by the supervisory boards and shareholders of both companies, to exchange one of its shares for five AEG shares. At yesterday's closing prices, fixed before the bid was made public, the share offer values the outstanding AEG stake at just over DM1.6bn, while the cash alternative is worth more than DM1.6bn (\$630m).

Daimler has also put forward two alternatives. AEG shareholders who want to keep their shares will receive a dividend of 20 per cent of Daimler's payout to shareholders, once the agreement between the two companies is accepted.

There is also an all-cash alternative offer of DM200 per AEG share. The cash offer is well below AEG's official closing price of DM225.80 in Frankfurt yesterday, but broadly in line with market expectations. Daimler shares closed at DM628.

If the bid goes ahead unopposed, as both companies expect, matters could be settled soon after Daimler's annual shareholders' meeting on July 1, the last gathering where approval will be required.

However, AEG will retain its identity after the transaction in recognition of its tradition and culture, the company said. There are no immediate plans for new products, although co-operation will intensify.

Daimler bought into AEG in late 1985 as part of its rapid expansion from a purely motor company into Germany's widest-ranging industrial consortium. Buying out the minority stake in AEG will simplify relationships between the two companies and should speed decision-making, one observer said.

## Mystery investor lifts Gucci holding

By Alan Friedman in Milan

MORGAN STANLEY, the US investment bank, has acquired a 44.5 per cent stake in Gucci, the Italian fashion house, on behalf of a mystery investor.

The purchase by Morgan Stanley of the equity acquired on behalf of the unidentified investor to 47.3 per cent.

Meanwhile, the future control of Gucci remains uncertain as the 50 per cent stake held by Mr Maurizio Gucci is still being held under sequestration by Italian courts.

The company, which in 1986 made 14.4m (\$2.2m) net profit on 122,776 of sales, has been gripped by a public feud among the Gucci family. As a result, the shareholding structure of the company is the subject of legal action.

Last October, Morgan Stanley bought a 3.3 per cent stake from Mr Paolo Gucci. The latest Morgan Stanley purchase, from Mr Roberto and Mr Giorgio Gucci, two cousins who are grandsons of the founder, Mr Guccio Gucci, has been seen in Italy as a sign that someone is hoping to gain control of the famed maker of handbags, shoes, clothes and fashion accessories.

## Feldmühle buys into paper unit

ITALY'S FERRUZZI group has sold 50 per cent of Paperette, Beghin-Corbeth, a French cardboard and paper subsidiary, to Feldmühle, the German paper group, writes Alan Friedman.

The price is believed to be just under \$100m.

Feldmühle, which is expected to exercise its option to buy the remaining 50 per cent later this year, has bought the stake from Beghin-Say, Ferruzzi's sugar subsidiary, in France.

Ferruzzi said last night the sale was part of the Italian group's "divestment from the paper sector".

## Suez toasts its Belgian victory

BY GEORGE GRAHAM IN PARIS

THE CHAMPAGNE was open yesterday at Compagnie Financière de Suez's headquarters in Paris after the company's victory over Mr Carlo De Benedetti in the battle for Société Générale de Belgique.

Even Mr Renaud de la Genière, the reserved Suez chairman and former governor of the Bank of France, was grinning broadly at the confirmation of his alliance's control over the Belgian conglomerate. "I am not unhappy," he confessed.

But the strain of Thursday's marathon shareholders' assembly, followed by a late-night meeting of the newly elected Générale board, was showing. Mr de la Genière's usually immaculate hair was slightly dishevelled and he looked clearly tired.

Now Suez must embark on the more difficult part of its undertaking - to make a profit on the FF6.6bn (\$1.2bn) it has invested in La Générale, in spite of the looming presence of Mr De Benedetti's Cerus group and its allies.

Their combined holding represented 45 per cent of the votes cast at Thursday's meeting, enough to block any motions requiring a qualified majority.

Mr Patrick Ponsolle, one of the three joint managing directors of Suez and a member of the new nine-man La Générale executive committee chosen on Thursday night by the newly installed board, said: "Until now, our first preoccupation was the relationship with the other shareholders, and the management of the company takes over as the main concern."

Suez claims that on the financial level its investment is already profitable, since La Générale shares yield 4 per cent in dividends while its own FF4.8bn convertible bond rights issue, which closes next week, will cost it about 3.5 per cent.

But it also hopes to increase the rate of return from an alliance which, it says, creates the largest holding company in Europe, with assets of FF45bn.

Mr de la Genière said yesterday: "You can always improve the profitability of a company. There are no condemned sectors, there are no companies which cannot be improved."

"The rapprochement will, I certainly hope, raise the profits of La Générale, but I also believe it will do the same for Suez."

The task may not be easy. Suez and its allies have been portrayed as saviours of the Belgian national interest, but the first measures they will have to take to turn round some of La Générale's move discredited industrial holdings, such as Asco and Gebrüder, will almost inevitably involve unpopular job cuts.

Suez directors have already begun contacting Belgian trade unions, who are suspicious of the new team's intentions.

Mr de la Genière rejected criticism of his group's refusal to allow Mr De Benedetti a single director on La Générale's board, in spite of his 40 per cent share. "We refused to have Cerus enter the company as a minority group. This implied clearly that it should have a minority on the board and on the executive committee, and that it certainly should not have the chairmanship of this committee. It is not our fault if these propositions could not be accepted by Cerus," Mr de la Genière said.

Suez directors confirmed that Mr De Benedetti had continued to insist he should chair the executive committee, despite having a minority of La Générale's capital.

Mr Bernard Riollet, a Suez joint managing director, said the company would make it a priority to obtain a listing for its shares on the Brussels and Antwerp stock exchanges. "This will allow Belgian investors to find another way to invest in La Générale indirectly through Suez," he said.

Shares in Mr De Benedetti's various quoted companies on the Milan bourse fell by an average of 5 per cent yesterday in reaction to the events in Brussels.

Alan Friedman adds from Milan: "We expected to have Cerus enter the company as a minority group. This implied clearly that it should have a minority on the board and on the executive committee, and that it certainly should not have the chairmanship of this committee. It is not our fault if these propositions could not be accepted by Cerus," Mr de la Genière said.

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Alan Friedman adds from Milan: "We expected to have Cerus enter the company as a minority group. This implied clearly that it should have a minority on the board and on the executive committee, and that it certainly should not have the chairmanship of this committee. It is not our fault if these propositions could not be accepted by Cerus," Mr de la Genière said.

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## AFP, Elders deal hits shares

BY BRUCE JACQUES IN SYDNEY

SHARES IN BOTH AFP Investments and Mr John Elliott's Elders IX deal hit back on Australian stock exchanges yesterday in reaction to news of yet another complex deal involving the two companies.

AFP shares fell 6 cents to A\$1.01 on high turnover and Elders scrip was down 7 cents to A\$3.01.

However, the AFP price is still well ahead of its 1988 low of 70 cents, having risen on speculation that Sir Ronald Brierley's Industrial Equity and Mr Larry Adler's FAI Insurance were taking a position in the company.

The complex deal announced late on Thursday night appears to reduce the chance of an imminent raid on AFP.

The AFP transaction had its roots in the controversial A\$2.7m (US\$2.7m) BEP share buy-back deal earlier this year. In connection with this, Elders will shortly redeem A\$800m of preference shares held by BEP.

AFP has sold options to about 9 per cent of Elders to Harbin, a special purpose company controlled by Elders executives which was set up to hold the 19

per cent of Elders formerly held by BEP.

Other elements of the deal involve a capital reconstruction by AFP, changing the company's domicile to Monaco and selling a further 9 per cent of the company's capital to Mr Richard Pratt, a Melbourne businessman.

The moves will ultimately realise A\$300m in much-needed cash for AFP. Another effect of the deal will be to give Harbin partial control of about 30 per cent of Elders' capital.

The transactions still require approval from AFP shareholders.

During the year, oil and gas production increased by 25 per cent in Denmark's North Sea fields, with the group's production covering more than 60 per cent of the country's domestic consumption.

Although the company's Maersk Line container vessels reported a moderate increase in the utilisation of capacity, there was a small fall in demand for tanker transportation internationally, which affected profits in the sector adversely.

Mr James Gray of GRI Freight Futures explains that the market has been driven up earlier by "a smaller overhang of tonnage" - resulting from increased scrapings and reduced building - combined with a wave of grain shipping by the Chinese and the Indians.

In the last two weeks, however, the Chinese have withdrawn and there have been a lot more ships around. "The summer slump seems to be coming early," says Mr Gray.

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## Danish shipping group's earnings slip Dkr145m

By Christopher Follett in Copenhagen

A.P. MOELLER, the Danish shipping group, reported a 10 per cent drop in profits of Dkr145m (\$122m) for 1987, down from Dkr161m the previous year.

Profits before tax and depreciation were Dkr1.4bn, compared with Dkr1.5bn in 1986.

The group attributed the profit decline to difficult international markets, the fall in the dollar, lower gas prices and high Danish costs.

During the year, oil and gas production increased by 25 per cent in Denmark's North Sea fields, with the group's production covering more than 60 per cent of the country's domestic consumption.

Although the company's Maersk Line container vessels reported a moderate increase in the utilisation of capacity, there was a small fall in demand for tanker transportation internationally, which affected profits in the sector adversely.

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## WPP wins further injunction

BY NIKKI TAIT

WPP, THE British marketing services company run by Mr Martin Sorrell, has been granted a further injunction against the New York advertising agency - Lord, Einstein, O'Neill & Partners - run by former employees of its small but prestigious Lord, Geller agency.

The injunction, effective from Thursday, bars the agency from taking on any former Lord, Geller clients or any other former

Lord, Geller employees. It will remain in force until a full court hearing is held during the week of April 25. Clients or staff who have already moved to the new agency are not affected.

Six key executives at Lord, Geller worked at Einstein Avenue last month when they walked out of the agency, which WPP acquired as part of its ambitious \$66m takeover last summer of JWT Group. They have subsequently

been joined by other colleagues. Among the financial backers of the new agency was Young & Rubicam, the large privately-held agency.

WPP has countered the defectors by filing legal action against those involved. It has already been granted injunctions barring the defectors from soliciting or accepting Lord, Geller clients or from trying to recruit its employees.

## Dresdner Bank posts 14.8% profit fall

BY OUR FRANKFURT STAFF

DRESDNER BANK, Germany's second biggest, reported a 14.8 per cent fall in partial group operating profits to DM1.55bn (\$620m) for 1987, against DM1.8bn the previous year.

Full group operating profits, which are not disclosed but include gains from trading on the bank's own account, fell more heavily.

However, Mr Wolfgang Röhler, chief executive, said the poorer results were "satisfactory" in view of last year's stock market crash and sharply reduced earnings from own-account trading.

At parent bank level, partial operating profits fell by 13.8 per cent to DM944m against DM932m

in 1986, while the fall in full operating profits at group level was heavier than expected. Although no figure was given, Mr Röhler said the result was below that of 1985 and 1986 but higher than 1984.

After-tax profits dropped to DM487m against DM505m in 1986, while the dividend remains DM10 a share. Total group assets rose to DM102.7bn.

Business in the first two months of this year has been slightly ahead of last year's levels, though earnings so far have been broadly in line with those of 1987.

Mr Röhler implied the bank had no plans to venture into insurance on its own. However, he clearly hopes to pick up extra business from insurers should Deutsche Bank push into the business, as is widely expected.

He said Dresdner Bank was considering a variety of co-operative ventures with insurance companies. Minority stakes over 10 per cent in other companies have tax advantages in Germany.

Establishing a joint venture with a leading insurer to pool their minority holdings to surmount the 10 per cent barrier could be one early result.

Changes are also likely in fund management and the bank is in talks to buy a UK-based international fund management group.

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**FT UNIT TRUST INFORMATION SERVICE**

## AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mfgs. (A)	Est. Price	Off. Price
Abbey Unit Tst. Mfgs. (A)		

British Funds	1995	1996	1997	1998	1999
Corporations, Dom. and Foreign Bonds	104	3	5	331	150
Industrials	20	3	29	70	37
Financial and Props	203	851	518	2,852	2,185
Plantations	39	278	788	728	1,681
Mines	23	44	44	167	134
Others	0	2	11	10	4
Totals	379	988	797	2,564	52
Totals	19	163	51	404	43

## BANKING DEPARTMENT

American Income.....	39.2	41.5
Gifts & Funded Int.....	114.2	122.1

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Series	May 85			Aug. 85			Nov. 85			Stock
	Vol	Est	Vol	Vol	Est	Vol	Est	Vol		
GOLD C	\$460	75	2	30	6.50	70	34	—	\$460.00	
GOLD P	\$500	75	2	30	6.50	70	34	—	\$460.00	
SILVER C	\$500	130	10	10	15.50	—	—	—	\$460.00	
SILVER P	\$460	130	10	10	15.50	—	—	—	\$460.00	
Apr. 86 May 86 Jun. 86										
DE Index C	FL 185	20	55.10	24	25	15	40	18	20.00	
DE Index P	FL 185	20	55.10	24	25	15	40	18	20.00	
DE Index C	FL 185	107	11.10	10	10.50	—	12	12	30.00	
DE Index P	FL 185	107	11.10	10	10.50	—	12	12	30.00	
DE Index C	FL 210	200	1.10	10	1.10	—	30	7	20.00	
DE Index P	FL 210	200	1.10	10	1.10	—	30	7	20.00	
DE Index C	FL 185	—	—	343	2.20	4	5.50	—	20.00	
DE Index P	FL 185	—	—	343	2.20	4	5.50	—	20.00	
DE Index C	FL 185	—	—	343	2.20	4	5.50	—	20.00	
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DE Index C	FL 185									

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مکرمات اللہ

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## LONDON SHARE SERVICE

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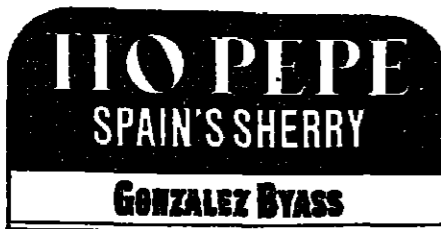
## LONDON SHARE SERVICE

## AMERICANS—Contd

1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986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**MINES—Contd**

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Saturday 16 April 1988



## Algeria urged not to free hijackers

BY FRANCIS GHILES IN ALGIERS AND ANDREW GOWERS IN LONDON

WESTERN NATIONS, led by the US, are making strong representations to Algeria not to allow the hijacked Kuwaiti airliner - which was still at Algiers airport yesterday - to fly elsewhere, nor to allow the hijackers to go free. Diplomats in Algiers from the US and several European countries have made high-level contact with the Government several times since the airliner landed there early on Wednesday. They have spelt out their opposition to making concessions to terrorists. With the hijack order in its 11th day, there was a continuing war of nerves between the hijackers, still demanding the release of 17 Arab militants from a Kuwaiti jail, and the Kuwaiti Government, which is refusing to make concessions.

With negotiations for the release of the 31 hostages left on board apparently deadlocked, there were two further frantic messages to the airport control tower from passengers aboard the aircraft yesterday afternoon. They said the hijackers were determined to kill them all unless Kuwait acceded to their demands. Kuwait, meanwhile, said last night that the hijackers appeared to be awaiting instructions from Iran, in the first official charge implicating the Tehran authorities.

Western officials are sceptical about claims that the hijacking was ordered from the top of the Iranian Government, but say it is

possible that an extreme faction within the regime is involved. There is strong circumstantial evidence that one or more gunmen joined the original hijackers at the Iranian city of Mashhad, bringing weapons, explosives, plastic handcuffs, and - according to the Western officials - communications equipment. There appeared last night to be no imminent prospect of further hostage releases after the freeing of a Kuwaiti passenger, Mr Juma Abdullah al-Shati, on Thursday - apparently on medical grounds. Since his release, Kuwaiti journalists at the airport have been briefing their Western counterparts about conditions aboard the aircraft. The hostages, they say, have

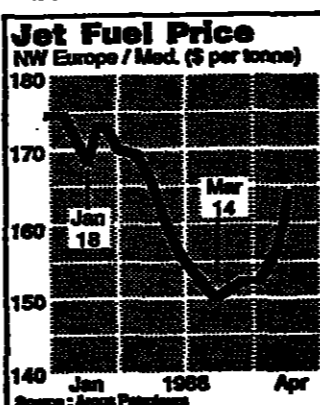
their hands bound behind their backs with plastic handcuffs and are beaten if they utter a word. The hijackers are said to work in shifts of four during the night, with the whole aircraft rigged with explosives. However, the Algerian doctor who boarded the aircraft on Thursday afternoon, Dr Youssef Mehdi, said the 12 hostages he saw were not handcuffed when he examined them and bore no signs of having been beaten. In London, the Foreign Office denied there had been a co-ordinated diplomatic representation to Algeria, but said Britain had been pursuing bilateral contacts with the Algerians. **Max of the Week: The Emir of Kuwait, Page 7**

## Charges take off as fuel costs fall

By Max Wilkinson

WHEN Mr John Bridgeman, an engineer from Cleveland, saw that sterling had moved well above \$1.50 at the beginning of the year, he decided on a holiday in Florida with his wife. He booked a two week fly-drive trip for June with Air-tours, the Lancashire operator, for a basic \$319 plus a \$126 supplement to travel on the upper deck of the Boeing 747. He was well pleased, especially as, when the time approached to pay his final account on March 14, he saw that world prices of jet fuel were falling.

So he felt sure there would be no fuel surcharge. He was wrong. The final invoice asked for an additional \$13.62. When he queried this, Air-tours told him that since January 18 when his brochure was issued the price of jet fuel in the UK had risen 26 per cent, while the price in the US for the return trip was up 8.5 per cent. In fact the European spot price of jet fuel fell 11 per cent between the two dates. How did Air-tours calculate



that an increase was due? Mr George Markle, a director, told the Financial Times that the charge was based not on actual prices but on an airline estimate of what its fuel costs would be on the day of the flight two and a half months ahead.

Air-tours followed standard practice by accepting these estimates, adding an administration charge of its own (85p in the case of Mr Bridgeman's holiday). Moreover, Mr Markle said, travel agents usually added a further 10 per cent for passing on the fuel increase. The Association of British Travel Agents said most operators were now adding surcharges to summer holidays, although the amounts levied had been declining.

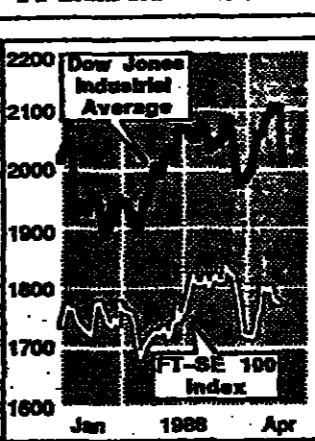
It also confirmed it was standard practice in the industry to calculate the surcharge on the basis of the airline's estimate of future fuel prices. The practice is beginning to provoke a strong reaction. Sir Gordon Baxby, Director General of Fair Trading, recently told the Commons Trade and Industry Committee the travel trade in general appeared to be "ripping off" holidaymakers with surcharges which "did not seem to be warranted."

Yesterday Dr Keith Hensman, a Conservative member of the committee, said he had written to Sir Gordon to ask him to make a full investigation of the practice. "It looks suspiciously like a dodge to increase the price of what are basically unskipped holidays," he said.

## THE LEX COLUMN

# A fair show of independence

FT Index fell 0.5 to 1415.7



to lose another pricing round to its competitors in 1988. This year should, in any case, be a remarkable one for cement: Blue Circle had been predicting only 2 to 3 per cent growth in demand, but 11 per cent for the first quarter suggests that is far too low. Whatever its cash generation prospects in the short term, the company is still heading out of cement as fast as it can manage. The anniversary of the Birmah fiasco is still 10 months away, but there seems little doubt that Blue Circle will celebrate the event by buying itself a few lawnmowers to go with its lavatory pans.

### Daimler-Benz

All those companies which are struggling to make acquisitions in the UK at 40 per cent above the market price must look with envy at Daimler's bid for the AEG minority. Daimler has cooly presented AEG's shareholders with an agreed cash offer 12 per cent below yesterday's price of DM227, or a share "alternative" worth DM228. It seems to have got away with it simply by declaring the existing share price to be unrealistic. While the market price undoubtedly had been pushed up by rumours that Daimler would bid, the DM200 on offer is still 50 per cent below the average AEG price for the last two years.

The justification for the share terms are even richer: three independent auditors have conducted discounted cash flow analyses of the values of the two companies, and concluded that each Daimler share is "worth" 6.7 AEG shares - more than twice as many as the market judges. Given the terms, one might wonder why Daimler made a share offer at all, unless of course it wanted to draw attention to how undervalued its own shares are. According to the auditors, if AEG shares are worth DM230, Daimler must be worth almost DM1,400, rather than yesterday's DM228.

Assuming the minority shareholders reluctantly opt for cash, an outlay of about DM1.5m will leave little mark on Daimler's cash balances. The bottom line will suffer a little more, as AEG is not making any net profit and Daimler does not seem able to use its tax losses. However, the DM100m or so interest foregone in the next year or two is neither here nor there in the context of Daimler's big strategic vision as a leader in automotive technology well into the next century.

### Blue Circle

By all rights, yesterday should have been a day to mourn the passing of 53 years of cement price-fixing in the UK. But as luck, politics and thrift would have it, cement was far from the duddard in yesterday's results from Blue Circle. Backed by a frenzy for private sector construction which looks like continuing through the current year, cement prices fell only 5 or 6 per cent in 1987, while redundancies and rationalisation cut £30m from costs. Not surprisingly, operating profits from Blue Circle's UK cement operations rose 58 per cent.

The underlying picture is somewhat less encouraging. First, the cost of restructuring was taken as an extraordinary item in 1986 while the glory was reserved for the 1987 results. And second, the profits increase masks a loss of market share last year, the result of an unsuccessful attempt to jack up prices in the summer. The company, for its part, says it can stand to lose a bit of the market now that it is no longer forced by the cement cartel to act like the British National Cement Corporation. But greed at the wrong time is greed indeed, and Blue Circle should be careful not

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# WEEKEND FT

Weekend April 16/April 17 1988

MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV

Doctor Wolfgang Vogel, an East German lawyer who looks like a Hollywood actor, has a taste for briefs which transcend the divided nation - and tell a tale of its tragedies. He runs his practice from a green three-storey house in the Friedrichshagen district of East Berlin, around the corner from a bleak suburban railway station crowded with thin workers in blue boiler suits and mothers pushing fat babies. On the way, you cross a potholed road, walk past a fern-strewn cemetery and a patch of allotment gardens with little summer houses. One of them has a hunting scene painted on the wall - high kitch escapism. "State-recognised urban relaxation area," says a sign outside. There are crocuses near Vogel's door. Inside, his office is cluttered and comfortably provincial, like the sitting room of an English bed-and-breakfast guest house.

It does not look like the gateway to another world. But for more than 28,000 political prisoners from East Germany who have been ransomed to freedom in the Federal Republic over the past quarter of a century, Vogel is the man who opens the way to the promised land. Aged 62, with a bronzed, muscular, compassionate face and penetrating blue eyes behind half-moon spectacles, Vogel is the East German government's official representative in humanitarian dealings with West Germany. He has played a discreetly pivotal role in the buying-free of prisoners from East German jails since the practice started during the deepest freeze in the Cold War. Now, thanks partly to the general thawing of East-West relations, he is willing to lift part of the veil on an arrangement which represents one of the murkiest parts of the ever-tortuous relationship between the two Germanys.

Trade in prisoners, which has netted East Germany more than DM 1bn during the past 25 years, has become integrated into the communist state's planned economy. For some, it is a monstrosity. Perhaps paradoxically, the fiercest criticism comes from some of the dissidents bought out from the East over the years. They accuse the East German authorities of cruelty and greed, and the Federal Republic of participation in a form of 20th century slave trade.

However, for most Germans on both sides of the divide - including successive governments of all parties in Bonn which have given it their support - the practice is shameful, yet necessary. It is a bitter-sweet demonstration of how fate and pain join hands across the East-West German fault-line. Born of wartime defeat and dismemberment, in so many ways mirror-images of each other, only communist and capitalist Germany could perfect such a system. Confined prisoners shunted by the busload across the guarded, barbed-wire frontier have become twisted symbols of unity.

The operation, based last year on a price per head (paid in goods by the West-German government) of between DM 30,000 (22,000) and DM 100,000, is called the *Geislerkoffer* (buying-free of prisoners). Vogel is its master-practitioner. He has the best possible qualifications. A confidant of Erich Honecker, the East German leader, and a trusted figure in Bonn by governments of both left and right, Vogel knows the inner workings of the system. He is registered as a lawyer in East and West Berlin.

His wife and his tailor both come from the West. Although he earns no money directly from the prisoner exchanges, his international reputation helps give him a



## The price of freedom

David Marsh lifts the veil on one of the murkiest areas of the Cold War and reveals how West Germany buys dissidents from the East

healthy income. He declines politely to say how much this is, but says he pays 150 East German Marks a month in earnings-related subscriptions to the East German Communist Party, of which he has been a member since 1962. Vogel says disarmingly that, if he had his time over again, he would live in Austria, where he often goes skiing. "The mountains, the romantic mentality," he explains.

Vogel stands in a permanent penumbra of conflicting emotions - hope shot through with fear, trust mixed with intrigue. Hanging on the wall in his waiting room, containing both East- and West-German magazines and strewn with plastic black chairs, is a framed quotation from Albert Schweitzer: "The little that you can do is a lot." A Western diplomat who knows him well describes the lawyer as "authoritative, reliable, well-connected." He refers, too, in laughing disbelief - which is almost, but not quite, total - to the perpetual rumours that he is a KGB agent.

Vogel is certainly held in confidence by Moscow and Washington. He has played a central role in a long-running series of East-West exchanges of spies which read like a Who's Who of espionage. They started with the US U-2 surveillance plane pilot Francis Gary Powers, downed by the Russians in 1960 and freed in 1962, and continued with people such as British businessman/agent - Greville - Wynne, swapped for KGB spy Gordon Lonsdale. Vogel helped organise the largest ever East-West spy swap in June 1985, in which 25 people held for spying for the Americans were exchanged for four communist agents. He was a key player behind the freeing of Soviet Jewish dissident Anatoly Shcharansky in February 1986, another highly-publicised exchange which, like the 1985 episode, took place before whirling TV cameras on Berlin's Glienicke Bridge.

Vogel's most abiding work, however, is out of camera-view. No media circus has ever greeted the buses of political prisoners driven anonymously through the War-

the-Herleshausen border point on their way to the West German reception camp at Gelsen, north of Frankfurt. Arguing that publicity could endanger the prisoners' liberation, the Bonn government keeps the issue under wraps. The West German journalists who want to keep the government's favour do not write or speak too much about it.

Startlingly, however, Vogel feels that secrecy no longer serves much useful purpose. He says this is because the ransoming system itself has reached a watershed as a result of detente between the two states and the amnesty for political prisoners granted by the East German government last autumn. Although a wave of arrests of dissidents this year has started to fill East German jails again, the last handful of prisoners freed to the West was in August last year. Vogel hints also at some personal disenchantment with the prisoner trades. He says that when Honecker, 70, leaves the scene, he probably will give up his delicate and exacting job also. That truly would mark the end of an era.

The genesis of the *Hitlingspolitik* came shortly after the building of the Berlin Wall in 1961. Cutting off the desperate weekly tide to the West of thousands of East Germans marked the symbolic high point of the Cold War, but also gave East and West the means, in a particularly ugly way, of controlling one of its most troublesome side-effects. Rather Barzel, the Christian Democrat politician who became Minister for All-German Affairs in the fifth cabinet of Konrad Adenauer at the end of

1962, gave the political impetus for the initial deals. Strong behind-the-scenes influence came from Axel Springer, the fiercely anti-communist press magnate. His scorn for the rulers of the German Democratic Republic did not rule out doing deals with them, and the newspaper baron told Barzel of East Germany's willingness to trade free political prisoners in exchange for five-figure sums.

Barzel, now 68, took the chance. Looking back, he feels that the initial confluence of interests between East and West Germany has remained constant. They want money, we human rights," he adds, laconically, that freedom can be expensive. The first exchange in 1963, for eight prisoners at a cash price of DM 360,000, tested goodwill between two sides highly suspicious of each other. Supervising the deal was a man destined to play a major role in the saga over the next 25 years: Ludwig Rehlinger, then Berlin's chief side in Berlin, later to become Vogel's alter ego in the West.

Rehlinger, 60, soft-spoken, Berlin-born and silver-haired, is now state secretary in the Bonn Ministry for Inner-German Relations. (The ministry's name was changed from the archaic sounding All-German Affairs in 1980). Like Vogel he is a sports enthusiast, often going swimming during his lunch breaks. From his airy offices in Bad Godesberg, during active periods he can speak five times a day to Vogel via the green and orange telephones in the East

Berlin practice. The conversations are assumed to be monitored by the East German secret service.

The first releases were a nerve-wracking affair. Since East and West Germany had no diplomatic relations, direct contact between Bonn and East Berlin was impossible. Rehlinger together with Juergen Stange, a west Berlin lawyer who was to act frequently as go-between, boarded on the western side the Berlin S-Bahn urban railway which runs through the divided city. At the Friedrichstrasse station crossing point in East Berlin, Stange carried the ransom money through the border controls in an envelope packed with banknotes. Waiting to receive it was Wolfgang Vogel.

The first mission was mounted to release from jail victims of East German Stalinisation - farmers opposing collectivisation, Christians who had fallen foul of state atheism, would-be escapees. Some of them faced life sentences. Since then, sentences for the several thousand political prisoners held initially in East Germany have generally become less harsh - but the ransoming has become institutionalised.

Releases grew fast. There were 880 in 1984 and 1,160 in 1985, settling down to an average of about 1,500 a year up to last year. As the economic value rose, the arrangement quickly was put on a barter basis. Exchanging prisoners for goods, rather than cash, was part of a move to give the practice more respectability. In recent years, it has become almost routine. Once Vogel and Rehlinger check and agree lists of prisoners to be released, the funds - calculated at a going rate which has risen over the years to the latest DM 90,000 to DM 100,000 a head - are paid by the Inner-German Ministry into a special bank account in Stuttgart.

The account is run by a charitable organisation of the West German protestant church - a reminder of the church's early post-war role in bridging the East-West gap. The deposit is drawn-on by the East Berlin government to pay for goods

bought from the West. Among the most common items, purchased in lots of several million D-Marks at a time, are foodstuffs, metals such as copper, fruits, cereals and oil.

Rehlinger and Vogel have become a well-rehearsed duet, teaming up to solve a number of delicate East-West affairs in recent years - including several spy exchanges. They speak of each other in similar respectful tones. Vogel says he knows his opposite number well enough to call him by the familiar "Du" - but never does so on the basis that their relationship must remain formal.

Both men admit similar moral qualms about the system they have operated and perfected. They say, however, there has not been an alternative. "Do you think it is enjoyable?" asks Vogel. Rehlinger's view is that, although the arrangement smacks of blackmail, those who are paying to free innocent people are behaving in a more moral way than the side doing the selling.

One of Vogel's strongest critics is Wolf Rothenbächer, a doctor bought free from an East German prison in 1971. He is now active in the Frankfurt-based International Human Rights Association which takes a particularly militant line on East Germany. Rothenbächer, who was arrested with his wife in 1970 after trying to escape via Romania, claims the ransoming means that "East Germany represses, and gets paid for it." In addition, the system serves the communist state by getting rid of its critics. Now that West Germany has recognised East Germany as a separate state, adds Rothenbächer, the East should behave "like a civilised country."

Human rights activists also have criticised Vogel's role in February in securing the release of noted East German dissidents, led by folk singer Stephan Krawczyk. They were freed after being threatened with long jail sentences, but asked to remain in the East. Vogel says he was doing his best for Krawczyk and rejects angrily allegations that he himself put pressure on his client to go into exile.

Most of the roughly 1,000 political prisoners allowed out of East German jails under last autumn's amnesty have also been allowed to emigrate subsequently to West Germany. East Germany has recouped some funds for these people through a separate emigration system under which Bonn routinely pays a few thousand D-Marks per person allowed to quit the country.

What will happen next? According to West-German estimates at least 300, and possibly as many as 500, people have been arrested in East Germany this year as part of the authorities' renewed crackdown on civil rights activists. Unless East Germany is willing - in return, perhaps, for some other form of West German compensation - to sacrifice an important source of revenue, the new arrests indicate that the ransoming will resume, in one way or another, at some stage.

Vogel says that, when he is discouraged, he looks back at progress made in bringing East-West German relations slowly towards some sort of normality. On the other hand, he admits it is difficult to conceive that one day there will not be political prisoners. There are two systems which face each other, separated by a wall and barbed wire. Putting his finger on a conundrum which is beyond the ability of even the best-connected East Berlin lawyer to solve, he says: "It is not just two systems in two states - but two systems in two blocs."

### The Long View

## Britain looks a better bet than most

SIX MONTHS later, the stock market's crash seems even more surreal than it did at the time. The cause, we thought, would emerge. But the world economy is certainly no weaker than expected half a year ago, and in Britain growth has been positively exhilarating.

It is true that there have been certain adjustments to monetary policies around the world, and the dollar has been allowed to depreciate. But there has been no US recession. Still, the US trade deficit remains a daunting problem for the next president and perhaps, if there are more bad months for trade, for this one.

The monetarist explanation for the crash - that US monetary policy was just too tight, then relaxed back sharply - has a degree of credibility. But were the fluctuations in monetary conditions really severe enough to cause the worst crash for 50 years?

Security analysts try to explain the plunge in stock prices in terms of changes in discount rates or expected dividend growth rates. It is mathematically true that when yields are very low, the changes in prices may have to be very sharp in order to accommodate variations in dividend growth expectations. When the yield is 5 per cent it requires a 25 per cent fall in price to achieve a 1 percentage point rise in annual income. According to the theory, investors needed this adjustment to immediate income to compensate for reduced expectations of income growth. But why did it happen almost overnight? It looks just like another rationalisation. Certainly, there are no dividend disappointments in the UK, where declarations in respect of 1987 could well show growth of around 13 per cent.

A market crash that is unconnected with an underlying real economy crisis is, no doubt, less

It's time for modest expectations and readiness for external shocks, says Barry Riley. He notes that globally all the old economic problems remain and solutions hang on the timing of the US election



worrying than one that has a definite link, as in 1929. But there must still be concern that such an unexpected collapse could happen again. Modern securities trading methods and the globalisation of investment appear to have raised the level of risk in the equity market rather sharply.

However, a repeat performance is not a short-term danger although you may think that a 100-point day's fall on Wall Street is bad enough. The conditions

that led to the crash have not recurred at any rate outside Japan (where the collapse was resisted and has subsequently been reversed). It was the rise in equity markets last summer, as much as the crash itself, that was remarkable.

Too many investors were hurt last October to be willing to re-exact that particular scenario so soon. Many private investors have simply withdrawn from the stock market. As for the investment institutions, they have been

preoccupied with reducing their equity weightings. This leaves the UK equity market offering sound value, but not much more than that. A price/earnings ratio on industrials of 18 (prospectively 12 for 1989) and a dividend yield on the All-Share index of 4.5 per cent (prospectively 4.6 per cent) are still slightly on the dear side of the long-term averages.

The domestic uncertainty now concerns 1989 corporate profits. Pessimism focused originally upon the risks of a US recession and the effects of a sliding dollar exchange rate. More recently, however, the exchange rate problem has turned into one of the more general expectation of sterling. British industry is responding to an economic boom by, as usual, allowing its labour costs to race ahead. To counter the inflationary threat, the Government is tempted to apply a severe squeeze through the exchange rate.

This was the formula in 1981 and the scope is now, in fact, much greater because industry's profitability is so much higher than it was then. At any rate, the UK equity market is now showing a year-on-year decline (admittedly only of 4 or 5 per cent) which has happened only twice before in the past decade, both times ahead of corporate profit reversals in the early 1980s.

Perhaps the market is, therefore, discounting a considerable corporate squeeze next year. But the City analysts' bullishness as ever, are forecasting nothing much worse than a gentle slowdown in earnings growth. The progress of sterling could determine who is right.

So much for the domestic perspective. But last October proved that international sentiment is much more important if only at major turning points. Globally all the old problems

remain. The banks are a little more bankrupt every day. The Americans need a recession to push up their savings rate and cure their trade deficit, which re-emerged as an issue this week. The Japanese stock market bubble is still even more alarmingly at 4.5 per cent of global capitalisation (getting on for half as big again as US equities). The Continental Europeans, inspired by the Germans, continue to dig themselves into a hole.

Clearest of this is going to be solved this year. Everything hangs on the US election and the possibility that the incoming president will look at the books, declare himself horrified, tear up his campaign promises on taxes and spending and at last initiate an attack upon the real problems.

If he is George Bush, any expressions of surprise will be less than credible. And the worry is that any president in those circumstances will prefer the hard decisions to be forced upon him by the financial markets rather than be seen to take initiatives in solving problems which, viewed from Middle America, are strictly headaches for foreigners rather than for the citizens of the US.

Against that there is the thought that the US recession, when it finally comes, will be welcomed by the financial markets as a solution rather than a problem. But will the pressures then be transferred to Japan? Gradually, the phenomenal Japanese savings ratio is declining, and the external surplus would be the primary target of an attack on the US deficit. It is true that foreigners are now being tempted back into Japanese equities - but foreigners usually get the Tokyo market wrong.

In the circumstances, the UK market looks a better bet than most. But it is a time for modest expectations and readiness for external shocks.



— 13 Days to go —

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Richard Waters reports on a new investment management service

## Binder goes for the big sell

BINDER HAMILYN is launching a discretionary investment management service that will see it become the UK's latest and largest accountancy firm in that business. Priced competitively, the new service is aimed primarily at, but not limited to, the group's existing 18,000 private clients.

It is charging a flat rate of 0.85 per cent of the portfolio value, with a minimum of £1,000. This has the virtue of visibility compared with the fee structures of managers who charge a combination of fees and commission.

The level of the fee means that the service will suit only portfolios in excess of £100,000. Binder's own calculations show its fee on a £150,000 portfolio as £1,275 compared with charges of between

£1,455 and £2,300 for eight other leading investment managers.

As with other companies, Binder charges less for larger portfolios. For those over £500,000, the fee drops to 0.65 per cent, and for more than £1m to 0.45 per cent.

Binder offers a range of other services as part of its package. These include quarterly valuations of portfolios, commentary on the companies in which it invests with the contract note, free tax compliance work, and the benefit of large discounts when buying unit trusts.

The group has invested heavily to enter the field. It has recruited Paul Cattermull, a former private client manager at Schroders, to lead a team of five investment

managers. Setting up a dealing room and the necessary systems has cost the firm about £500,000.

Accountants generally divested themselves of their investment management operations years ago when it became clear there could be serious conflicts of interest through investing client money in companies which they audited. The Touche Ross and Touche Ross is an example of what happened.

Binder's way round the problem is simply not to invest in any of the companies audited by the firm. Although it has 72 listed audit clients, including Mountie, United Newspapers and Coleridge, it reckons the absence of these from a client's portfolio

will not prove a problem or hinder performance.

The audit problem means that larger firms of accountants are unlikely to re-enter the investment management business. Their lists of audit clients are considerably longer than Binder's, and make a proper discretionary management service impractical.

Smaller accountancy firms have moved ahead of Binder. The most active is Smith & Williamson, in the West End of London, which has always relied more on personal finance than traditional accounting for its income.

Buzzacott, a City firm of accountants which entered the field three years ago, charges 1 per cent plus commissions, and



has \$50m under management for about 1,200 clients. Firms such as this have few large audit clients and do not need to place restrictions on their investment managers.

There could be one problem for clients who would rather leave all decisions to their investment managers. If a Binder audit client bids to take over a company in which the firm has invested client money, then Binder says it will take no decision about selling the shares. The client will then have to make up his own mind.

## Trust scourge changes tack

IAN HENDERSON, scourge of the investment trusts early in the 1980s as investment director of insurance group London & Manchester, is launching his second unit trust specialising in investment trust shares.

Exeter Fund Managers, Henderson's own company, was set up last year to specialise in investment trusts, managers of which have been responding to the pressure imposed by him, like-minded investors and others (with more predatory instincts) to eliminate the discounts to asset value at which their shares have been quoted.

But things have changed since then, with the October crash. So, the initial ExFT performance fund is now followed by the Exeter High Income trust, a high-yield unit trust specialising in the equity shares of split capital investment trusts, and yielding 9 per cent.

We reported on the revival of split-level funds in these pages on February 20. In their simpler form, capital shares in these trusts get all, or most, of the capital gains and income shares get most, or all, of the income.

Capital shares tend to be popu-

lar when shareholders want excitement - as in a bull market - and income shares when they want stability or protection, in a bear market or in the transitional period which follows.

Exeter quotes stockbrokers Wood Mackenzie on last autumn's acid test for income shares: "Between October 15 and November 30, the FT Actuaries All Share Index fell in value by 34.0 per cent while income shares fell by an arithmetic average of only 7.9 per cent."

Income shares are valued, like gilts, by reference to the stream of income expected of them, and how that income is valued on a day to day basis. Unlike gilts, the shares should rise in parallel with the dividends from the fund's investments.

The portfolio will be 80 per cent in income shares with the balance split between gilts, for extra liquidity, and relatively small positions in investment trusts, including their warrants, to reflect any bull market which appears.

Ultimately, the trick with income shares is to know when to get out. They are usually redeemed at a fixed future date,



Ian Henderson, of Exeter Fund Managers Ltd

at a fixed price well below the peak achieved on income grounds. "We would tend to avoid income shares within three years of maturity," Henderson concludes.

William Cochrane

## Roll up for the big US sell-off

This year's American property show has \$15bn worth on offer, says Paul Cheeswright

THE US Congress has been debating heavily matters such as the advisability of foreigners owning large chunks of America. Meanwhile, Miller Marketing of New York has been preparing an investment exhibition designed to sell off a little bit more.

This rather goes to show that no matter what Congress thinks, the marketplace for commercial property is becoming increasingly international.

The annual American Real Estate Investment Show is about to hit London again. On April 18, 19 and 20 at the Institute of Directors, 85 companies will be promoting about \$15bn worth of property packaged neatly for the overseas investor.

There is an immediate suspicion, of course, that this is an attempt to dispose of the junk that cannot be sold in the US itself. Bruce Mortimer of Miller recognises that "people see Americans as trying to sell something." But, he adds, he has told exhibitors that if they are coming only to dump property, it is better not to come at all.

In value terms, about a third

of the property on offer in London is in Texas. It is not without significance that Texan banks are among the exhibitors. They have found themselves with property portfolios they did not want because they have foreclosed on developers failing to meet their finance charges.

Oil-slung Texas, Mortimer concedes, is a property disaster area - rather like New York a decade ago when everybody wanted to sell and nobody wanted to buy. Those who defied the trend in New York, such as the Reichman brothers - whose company, Olympia & York, has taken on Canary Wharf in London's Docklands - have made a fortune. So, the message from the investment show will no doubt be that anti-cyclical investment is good for you.

For the rest, however, there will be a range of office buildings, shopping centres, apartment blocks and land from throughout the US available for sale. There will be offers of joint ventures, such as the Texan with 3,500 acres looking for a partner in a horse ranching project.

It is doubtful if many deals will be closed. Miller Marketing does not expect that. But there will be plenty of lawyers and accountants around, not to speak of agents, for any investor who wants to put a foot in the swelling US real estate water.



The late James Cagney, whose 1930s' home in Beverly Hills, California, is on offer at the London show to anyone with \$3m-plus to spare

## Portugal beckons investors

SHEARSON LEHMAN is setting up an Oporto Growth fund to invest in Portuguese securities. It will be a closed-end investment company, quoted on the London Stock Exchange, and Shearson's Laurie Hunter lists fundamental and technical reasons why an initial minimum investment of some \$10,000 will find takers.

First, he says, the Portuguese market now is where the Spanish market was five years ago, with an explosion of economic growth on entry into the EEC. Second, there is a massive settlement backlog on the Lisbon and Oporto stock exchanges but Oporto, through its joint investment adviser Banco Portugues do Atlantico, the largest commercial bank in Portugal, should have ample access to lines of stock.

MORGAN GREENFELL says that the four unit trusts which it launched on March 22 - UK Equity Income, International Growth, European Growth and American Growth - attracted more than \$15m by last Monday's closing date. The average investment was more than \$5,000.

W. C.

## Mortgage confusion

Everyone wants to be convinced that interest rates are coming down to stay. But are they? David Barchard reports

"THOSE BEHIND" cried "forward" and those in front cried "back." The mortgage markets are still deeply confused over when and how far rates should come down.

Banks and building societies with relatively high rates have found it easy to drop their mortgage prices by half a percentage point. Two weeks ago, the Halifax cut its rate from 10.5 to 9.5 per cent and Lloyds Bank went down from 10.5 to 10.0 per cent.

This week the Midland Bank followed, bringing its rate down to 9.75 per cent. Larger building societies, such as Abbey National and Nationwide Anglia, held their fire, even though they have

been indicating for a week that a cut in their rates, now 10.1 per cent, is imminent.

The other two major clearing banks, National Westminster and Barclays, would say only that they were reviewing the situation actively.

Everyone wants to be convinced that interest rates are coming down to stay. If the other major building societies are to leapfrog the Halifax by going down to 9.5 per cent, or perhaps even lower, they do not want to be forced to move up again in a few weeks.

Meanwhile, the mortgage companies and some of the smaller building societies are going ahead and cutting their rates. The Mortgage Company cut its rates to 9.25 per cent this week. NAB home loans have gone down from 10.5 to 9.75 per cent, and the Mortgage Corporation cut its standard mortgage rate to 9.88 per cent.

Girobank reduced its rate for loans of more than \$50,000 from 9.9 to 9.4 per cent, and to 9.7 per

cent for loans below that figure. Town and Country, the 15th-biggest UK building society, cut its rate for some loans to 9.5 per cent.

Most of these cuts apply to new borrowers; existing ones will probably have to wait a month. Other signs of market segmentation are appearing, too. Banks and societies are beginning to give more favourable terms to holders of large mortgages and to those putting at least 5 per cent of their own money into a house purchase.

Hill Samuel Investment Services announced this week, for instance, that it would charge 9.5 per cent on mortgages under \$50,000; then 9.375 per cent on mortgages up to \$90,000; 9.25 per cent on mortgages between \$90,000 and \$120,000; and 9.125 per cent on mortgages above that.

For those willing to borrow only 75 per cent of valuation, Chase de Vere, the mortgage broker, is offering the lowest rate yet - 8.7 per cent on \$2m of loans on a first-come-first-served basis.

**WHIMMINGDALE**

AFTER G7, DO YOU WANT TO WAIT FOR MAY?

## Denise wins in a tie-breaker

THE FIRST LEG of the FT Readers' Race, run in conjunction with the Great Investment Race, has had to be decided by a tie-breaker. However, the way that the competition has gone so far suggests that there is room for all sorts of skill - or, indeed, luck - to show through as the year moves on.

Denise Gainsbrough of Croydon, on the southern outskirts of London, beat Mrs E. Page of Mirdol-Bourgnonnac in France with her forecast of the FT-SE 100 index level on March 31.

As it happens, neither guess was particularly close, and Mrs Gainsbrough, who works in the private client department for a London firm of solicitors, is also refreshingly honest about the way she made her investment selections.

"I looked at the way shares had performed in the two months before I filled in my form," she says, "and then I simply stayed with the best of them." She disclaims any specialist skills in investment selection and thinks that there was "nothing clever" about the way she made her choices.

The shares she chose, along with Mrs Page, for a nominal £11,000 investment in each (making a £22,000 total) were Britoil, subsequently taken over by British Petroleum; Great Universal Stores; Blue Circle; Hamner and Reuter. From the table, it can be seen that this gave her the top three performers, number six and, in Reuter, a respectable 27th.

Finding a takeover stock was a great way to start. The starting prices of the shares were taken from December 9 and the BP bid for Britoil came on December 18. The question is whether BP itself, flattened by last year's disastrous rights issue, will be able to take the running in

the eight months of the competition which remain.

Great Universal Stores, number two on the list, reflects the post-crash resurgence of defensive stocks. In the market slump, which provided for most of last year, with its general fashion for "niche retailers" like Sock Shop or a combination of them like the Burton Group, not many people wanted to know about GUS. "Solid, sturdy and boring" was how the investors Chronicle reported the opinion of one investment analyst.

After the late October trauma, in which a lot of high-profile companies were decapitated, investors began to change their ideas about a group which had produced steadily rising profits each year since 1985. As market leader in catalogue mail order, it might also have benefited from the intervention of high street operators like Marks & Spencer and Next into what has been a bit of a backwater.

With Blue Circle, we are back with special situations. For most of the period of the competition, the talk was of the group's bid for Birmid, which it lost narrowly, but before Christmas there was an unsuccessful "dawn raid" on Blue Circle itself. Along with the expectation of good results from the boom in the British construction industry, punters in Blue Circle have had it in mind that December's predator, still unnamed, might return to the fray.

Around here, the winner's choices and the Footsie top 10 part company. At number four in the top five, the Bank Organisation looks like a classic re-rating story. It is coming out of five years of new management, rationalisation and reorganisation with a good profit record - pre-tax growth of 20 per cent



Denise Gainsbrough

or more a year over the past four - a much improved reputation with institutional investors and some excitement about its takeover plans in the leisure business.

Anstrad, at number five, is recovering from last year's slide when its indications of a more mature profits performance for 1986-87 were taken as an admission of weakness, and the fall in the shares was accelerated by Black Monday and its aftermath.

As it was, the 26 per cent rise in profits which it reported in February was way ahead of analysts' expectations, and sentiment swung back in the company's favour.

William Cochrane

Unit trusts/Christine Stopp

## Crash benefits Britain

IN THE AFTERMATH of the October crash, 1988 has seen a concentration on UK equity trusts and high-yielding trusts of all description. A desire to bathe down the bushes and withdraw into UK investments, fuelled by sterling strength, has put the overseas unit trust sectors right out of fashion.

With spring in the air, should investors now be coming out of their shells and looking overseas once more? We asked five different investment managers for their views. The consensus, as you can see from the table, is that overseas equities should account for well under half the total portfolio.

Investing overseas provided the main excitement in the unit trust industry for the few years leading up to the crash. It became *de rigueur* to provide worldwide portfolio breakdowns, even for the relatively small investor, showing "where to put it."

Attitudes for and against overseas investment have two extremes. At the most conservative end is the view - old-fashioned, perhaps, but still influential - that your assets should all be related to the same currency as your liabilities. In other words, the UK investor should stick to UK markets.

At the other extreme is the market weighting view, which bases portfolio allocations on the relative sizes of market capitali-

sation within the global total. Very few managers would allocate weightings exactly in accordance with market capitalisation. The whole point is to out-perform by choosing where to be overweight and where to be underweight.

The range of portfolio breakdowns shown indicates that, at present, the conservative view predominates. Baring sales director Mark Skinner speaks for most in warning about "all sorts of caveats" at present in investing overseas.

Chris Burrows of Henderson feels that the move back to the UK was justified by logic rather than post-crash paranoia. In spite of suggesting a large percentage in UK equities, he is still strongly in favour of overseas investment. "At times of crisis, people don't take the global view - they run for safety. The case for international investment is no different since October."

As a home with a strong international image, Fidelity says that it agrees with international diversification, and always advocates

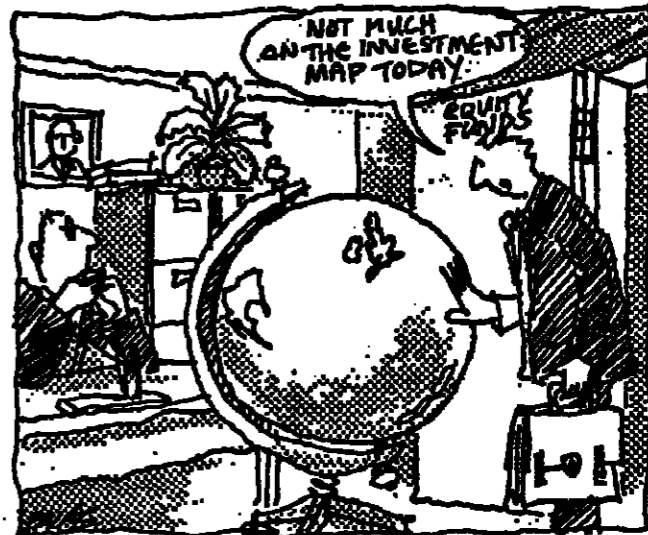
reasonable exposure to overseas markets. Nevertheless, it, too, increased weightings in the UK after the crash - a natural tendency to "get back to what you feel you know best," says director Hilary Smith.

Among overseas markets, Japan is most in favour. Here the market weighting view rears its head again. Japan's strong performance since the crash has made it the world's largest stock market in terms of capitalisation, with 42.7 per cent of the total at the end of February. In the face of this figure, says Mark Skinner, the investor "can't afford to be out of Japan."

Having suggested a conservative percentage in the UK, Henderson goes for a relatively high-risk strategy with 20 per cent of its suggested spread in the US. Says Chris Burrows: "The economic case is probably better for Japan than for the US, but the possibilities are already taken account of in the market. The US offers a chance of higher returns."

Ivory & Sims's portfolio has

Investing overseas: suggested spreads									
	UK Equities %	US %	Japan %	FE %	Europe %	FI %	Cash %		
Henderson	45	15	10	5	-	15	10		
Baring	28.5	7.5	15	11.25	7.5	25	5.25		
Ivory & Sims	5	-	25	7.5	5	57.5	-		
Fidelity	12	15	-	11	12	5	5		
Sun Life	50	3.5	-	6.5	5	25	10		



nothing at present in the US. Richard Carswell, managing director of the group's financial services division, thinks America "could be the place to invest next year."

The recommended spread here is based not on unit trusts but on Ivory's recently-launched Atlas fund, a Luxembourg umbrella fund.

Sun Life was the most cautious about putting money overseas, with only 15 per cent of its suggested portfolio in foreign equities. David Baker, assistant MD of the investment management division, says he has been bringing money back "since the crash and a bit before."

The main cause for uncertainty, as far as he is concerned, is the level of trade imbalances round the world, to which he sees no immediate solution. The conclusion is gloomy: "In my view, we are still in a bear market." The group has been selling out of equities, therefore, and increasing its exposure to UK gilts and cash.

Whatever their theoretical support for overseas investment, all of those to whom we spoke favour a stay-at-home philosophy. This is in keeping with what is evidently the normal inclination of most unit-holders. Even before the crash, more than 50 per cent of all money in unit trusts was held in the three main UK equity sectors.

Mark Skinner reckons that, "while all the bad news is about" it could be a good time to look for investment opportunities. Chris Burrows warns: "Stick to main markets." Hilary Smith feels that "seasonally, now is not the time to buy." She would certainly not advocate a rush back into overseas markets, and reckons that special situations and stock-picking trusts are, if any, the ones to follow.

### STRAIGHT TALK FROM THE EXPERTS

# Now everybody has had their say, the world's major Unit Trust organisation speaks out.

The time has come to set the record straight. Because buried beneath the tons of newspaper, the endless hours of TV and radio comment and the weight of supposedly informed opinion, are several vital facts about savings and investment.

#### FACT 1 Nobody can consistently predict short-term stockmarket movements.

Nobody predicted the severe falls in October. And nobody can guarantee to predict what is going to happen to markets over the next few months. Not even Fidelity, with all the resources of one of the world's largest unit trust organisations.

So, does the impossibility of predicting the short term mean you should be out of the market right now, locking all your money away in a building society?

No. Because we believe that the key to investment success is ignoring short-term worries, getting it right for the long term and choosing stocks which will prosper in spite of short-term market trends.

#### FACT 2 Unit trust investment is still one of the most profitable ways to make money.

Maybe not today. Maybe not tomorrow. But, over the long term, you can still make substantial returns. And plenty of people will. Just look at the record. Look at the growth unit trusts offer. Despite the falls in October.

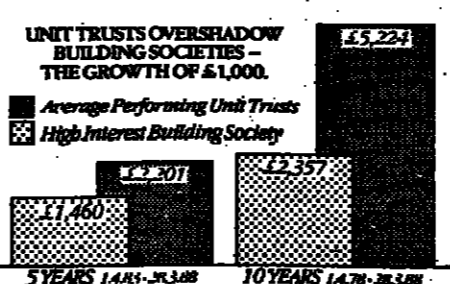
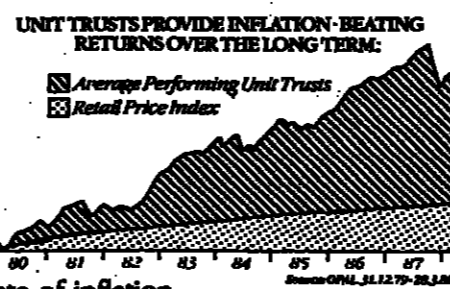
You can see that even an average-performing unit trust produced returns substantially above the rate of inflation.

#### FACT 3 You could have built more money in a unit trust than in a building society.

And you still can. Of course, we would be the first to tell you that your building society is the safest place for your money and that you should always have a part of your savings readily available in your building society. But if you can afford to invest some of it, then the chart shows how much more a unit trust could make you. Even after the falls in October.

International diversification is still a key to a successful investment strategy.

Just as you should diversify your total assets between 'safe' savings and long-term investments, so you should also look to global diversification of your investments.



While all the major world stockmarkets fell together in October, they are now performing again as they did before. Independently of each other. So, if your investments can be professionally managed on a global scale, you can spread the risk and maximise the growth potential.

#### FACT 4 Fidelity is one of the world's largest unit trust organisations.

Big isn't always better. But in this case it is. The Fidelity organisation manages over £45 billion for nearly 2 million people. With investment managers and analysts in offices in every major financial centre of the world, Fidelity provides research resources covering every sector, every market and every type of company in those markets. Fidelity in the UK is able to draw on this strength, enabling us to offer consistent performance in highly-focused stockpicking, rather than general investment in sectors, trends or fashions.

The wealth of major industry awards we've won here in Britain for consistent performance proves our strength.

#### FACT 5 Now is the time to act.

Clearly, the worst investment policy now is to do nothing. Just as it's probably wrong to commit all your money to equity markets now, so it is equally wrong to stay out of the markets altogether.

The facts speak for themselves. Talk to your professional adviser and discuss your long-term strategy. Decide whether your objective is growth, income or a balanced combination of the two. Then you can take advantage of the situation by investing in one or several of our wide range of unit trusts. But remember, as if you need reminding, that the price of units can go down as well as up and that past performance is no guarantee of future returns.

If you don't have a professional adviser, you can talk to us on 0800 414161 from 9.00 in the morning until 9.00 at night, seven days a week.

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### FT-SE INDEX - THE TOP TEN

Company	Rise %
1. BP (via Britoil)	80.8
2. Great Universal Stores	54.8
3. Blue Circle Industries	45.4
4. Rank Organisation	35.0
5. Anstrad	34.8
6. Hamner and Reuter	32.5
7. Blue Arrow	27.3
8. Ladbrokes Group	26.1
9. British Aerospace	22.0
10. P & O	21.9

Source: The WMI Company

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Norman Goodwin tells of his brush with a company offering high yields but slow to return his money

## The bigger they are, the harder we fall

THIS IS a true cautionary tale, based on fact, proving what every investor should know: the bigger the return, the bigger the risk.

Recently, I saw an advertisement which was most compelling, since it offered 16 per cent gross income over a two-year period with interest paid half yearly. The advert appeared in a magazine for people who were approaching retirement or were already retired. I checked with the editor, who confirmed that the advertiser was known to him and was well respected.

The minimum investment was £2,000. The managing director of the company making the offer had an aristocratic-sounding

name and the address was at the centre of the financial world in London. I spoke with the managing director, who had a very cultured accent. I queried the high return and he assured me that it was because he was dealing with offshore funds, currency variations and other high-return investments.

I sent £2,000 and my interest duly arrived on time after six, 12 and 18 months, while the principal was returned, together with the final interest payment, after two years. A perfect transaction.

Apparently, this is known in the business as "the come-on". With the last payment came an offer for further investments at 16 per cent. This time, the name

had been changed to give it a more international-sounding title.

The first transaction had worked so well that I decided to invest £5,000. I spoke to the distinguished gentleman again, who was very pleasant and said that my interest would start from that day. I felt I was being overpaid, so in the event I invested only £2,000.

One of the conditions of the transaction was that the interest would be paid into my bank direct. Not many people check their bank statements regularly, but a few weeks after the first dividend was due, I noticed that it had not been paid. A further conversation with the gentleman

brought the explanation: "Oh dear, the bank has let me down again, I will correct it." The interest duly was paid.

However, about this time clouds were appearing on the horizon. The editor of the retirement magazine was no longer accepting the adverts from the company and a disclaimer was appearing saying that the magazine was not responsible for the authenticity of offers made.

The delay in payment of interest was repeated on two more occasions. Before the money was due at the end of the two years, I wrote and asked for the interest and the principal to be paid on the definite settlement date.

I took this precaution because the contract stated that, unless requested specifically, the money would be re-invested in this international-sounding organisation. This is exactly what happened. In spite of my request for payment in full, the money was not forthcoming. By this time I was dealing with an organisation in Guernsey, again with a very high-sounding address, but I was worried and mentioned it to my bank manager.

By coincidence, one of the manager's staff recently had been transferred to Guernsey, so he wrote to him and asked him to check out the address given on the expensive notepaper. The address was an accommodation and telephone answering service and turned out to be one thing cabinet in an upstairs office.

I spoke to my local library and obtained the name and address of the governor of the island. I wrote to him and suggested that, if this sort of thing was allowed, Guernsey would soon have the same bad reputation as another offshore island which was in the news at the time.

Back came the reply from Guernsey that they had no knowledge of this company I had mentioned and that it was not licensed to carry out this type of business. I imagine, although I have no proof, that this was the stage at which investigations started to be made, not only by the Guernsey authorities but also by Scotland Yard.

The cultured gentleman proved very difficult to contact, but one day I did succeed. He blamed his man in Guernsey for the problem. Little knowing that I had spoken to his accommodation address and the people there had told me that "his man in Guernsey" was, in fact, the cultured gentleman himself. They did this willingly, because he had not even paid the rent for the accommodation address.

When I told him that I knew he was the man in Guernsey, he went very quiet and said: "I will send you your cheque on Friday." Note the subtlety of the man: I would get the cheque on Saturday when the banks were closed. I demanded that it arrive on Friday.

As soon as it did, I requested quick clearance (cost £5 and worth it). When the bank closed it had still not got clearance but it was still pursuing the matter. I was chasing around London to various banks until he found one in funds and the cheque was cleared at 4.30 pm that night.

I was the last investor to be paid. I was told later that if I had invested £5,000 it would not have been paid because there was insufficient money in the account.

Eventually, I forgot the matter, until I received notification from the Fraud Squad of Scotland Yard to say that my name had been extracted from the files and it wanted to know my involvement. It was most surprising when it found I had got my money back.

In one course I was visited by two charming officers from the CID. I put a statement and was advised that prosecution would take place and that I would probably be called as a witness.

In the event, I did not appear. The prosecution accepted my statement and I learnt later that the cultured gentleman had been sentenced to four years in prison. His total indebtedness amounted to £2m, mainly to people who were retired and had invested between £2,000 to £10,000 with him.

I was lucky in more ways than one. Never again will I go chasing high returns in this way.

E.P.C. Cotter

MY HANDS today, which come from rubber bridge, are object lessons of good declarer play. We start with a slam:

N  
♠ J 7 4 2  
♥ K 3 2  
♦ 6 5 4  
♣ A K 8

W  
♠ 10 7 6 5  
♥ Q J 10 3  
♦ Q 10 9 5 2  
♣ S

E  
♠ Q 10 9 6  
♥ 8 4  
♦ 8 7 2  
♣ J 6 4

S  
♠ A K 8 5 3  
♥ A Q J 9  
♦ A K  
♣ 7 3

At game all, South dealt and opened with two spades - his moderate five-card suit is not ideal for this bid, but he does have 21 points. North said three spades - the single raise guarantees an ace and normal trump support - and South rebid four no-trumps.

After the reply of five diamonds South said five no-trumps, and went six spades after the reply of five hearts. West led the diamond queen.

Taking in hand, declarer cashed his ace of spades, West showed out, and the slam could not be made - two trump tricks had to be lost. A very poor performance.

After winning the opening lead, South must see that a 4-0 trump break is the only problem.

## BRIDGE

If either opponent holds all four trumps, can anything be done to safeguard the contract?

Yes. At trick two, South should lead the spade three. If West holds the trumps, this indirect finesse allows him to make his queen at once or later, but no other trump trick; if East holds the trumps he can take the knave with his queen, but declarer can win any return, cross to dummy's club ace and return the two of spades.

East plays his nine and the king wins, then South crosses again to dummy to pick up East's 10 by finesse.

A moment's thought reveals the correct play, but South was too optimistic. When everything in the garden seems lovely, the expert assumes a bad break and sees if it can be overcome.

The second hand is more complicated.

N  
♠ 8 6 5  
♥ K 10 7 3  
♦ 8 4  
♣ K J 3

W  
♠ A K Q J 9  
♥ Q 6 4  
♦ Q 5  
♣ 9 8

E  
♠ 10 4 3  
♥ 8 6 5 3 2  
♦ Q 10 5 4 2  
♣ 10

S  
♠ 7 2  
♥ A J 9 8 5 2  
♦ K 7  
♣ A 7 6

You see, it is the club position that determines if the heart ace or king should be cashed first. East has South's seven of clubs for North's knave. Now South leads a heart to dummy's king, then cashes his ace, eliminates diamonds and throws West in. Cautious.

Do you still think South was lucky?

E.P.C. Cotter

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## FLEMING MONTAGU STANLEY

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Barry Riley explains some undesirable side-effects of the regulation of intermediaries

## The pitfalls and puzzles of polarisation

IT ALL SEEMED so simple when the regulators devised polarisation two or three years ago. Basically, the Securities and Investments Board (SIB) came up with a device which solved some of the conflicts within the life assurance industry. Intermediaries would have to choose between being wholly independent and being tied representatives of a single investment house.

There would be no more pretence that intermediaries were giving unbiased advice when they were in fact accepting incentive payments from a particular life company. And company salesmen would have to make it clear that they were just that, and not "consultants" or "advisers" who were recommending the best product on the market.

The banks and building societies were furious, though. The concept of polarisation hampered seriously their plans to turn their branches into financial supermarkets. They were unable to stop polarisation from being implemented in a black-and-white principle into one with shades of grey. The average small investor does not stand much of a chance of knowing what is really going on.

Consider the Abbey National Building Society. For life assurance products and pension products, including the vital endowment mortgages, it is a tied agent of the Friends Provident. But a glossy pamphlet just sent out to customers proclaims the merits of an outfit called Abbey National Financial Services. Is this tied to Friends Provident, too? No. According to the booklet, it is a company of "totally independent financial intermediaries".

Abbey National Financial Services is what is known in the trade as a "conduit". Virtually all the big banks and building societies which have taken the tied route have conduits. They are designed to be a way around the strict polarisation rules. But whether they turn out to be important in practice depends on whether the public is concerned about having a wide choice. Probably, nearly all customers will accept the house product they are offered, happily and unquestioningly.

Polarisation effectively is imposed on banks and building societies through the SIB's "best advice" principle which applies to independent intermediaries. It will take full effect on 4th May 1988. According to the SIB's Martin Vile: "You can recommend an in-group product only if it is demonstrably better than anything else."

Since it is impossible in practice to prove that, say, a unit trust is the best available, it is impossible for a bank with inde-

pendent intermediary status to sell its own trusts. That is why National Westminster, the only one of the Big Four clearing banks to go independent, was forced to sell its stable of County unit trusts last year.

In contrast, banks such as Barclays and Midland, which have tied status, are limited to selling their own branded products. Midland has set up a special, jointly-owned life company with Commercial Union to do so.

Naturally, the bigger groups like to sell their own investment products rather than buy in somebody else's. But the building societies have a problem here because they lack the financial muscle to buy or set up life companies. Abbey National is the odd one out among the big societies.

The rest have opted for independent status. It could be different, however, once the building societies are able to turn themselves into quoted companies and raise large quantities of new capital. The Halifax, for example, has announced that its decision to go independent is only a one-year commitment.

How will all this affect the average customer? In practice, he need not worry too much about the quality of products he is likely to receive from the big tied banks and building societies. They may not prove over a period of time to be the best available, but the larger operators will not want to lag too far down in the league tables for unit trusts or endowments.

There is some concern in the industry that large commissions are being paid to certain of these societies as well as to chains of estate agents. According to Charles Wishart of Abaco Investments - which owns John Charcol, the big firm of mortgage-

The big banks	
Independent	Tied
National Westminster Bank	Barclays
Royal Bank of Scotland	Midland
Bank of Scotland	Lloyds
Clydebank	TSB

The big building societies	
Independent	Tied
Halifax	Abbey National
Nationswide Anglia	
Woolwich	
Leeds	
Alliance & Leicester	
National & Provincial	
Bradford & Bingley	
Birmingham	
Chatterbox & Gloucester	

grasp what the FSA really means," he says.

Perhaps the most worrying aspect of polarisation in the high street is the impact upon the many smaller building societies. Most of these have no aspirations to be independent intermediaries and, unlike most of the big societies (but like Abbey National), they have signed up with various life offices as tied agents.

There is some concern in the industry that large commissions are being paid to certain of these societies as well as to chains of estate agents. According to Charles Wishart of Abaco Investments - which owns John Charcol, the big firm of mortgage-

brokers, as well as the Hampton estate agency group - insurance companies are offering as much as 150 per cent of the first year's premium on an endowment policy for going tied, compared with the standard 60 per cent or so that goes to an independent intermediary.

"This is bound to be reflected in surrender values or maturity values," he says. Abaco is sticking to its independent stance but claims Wishart, "there's a very real financial sacrifice when a firm stays independent."

The danger is that second-line life companies, policies from which would never be chosen by

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independent intermediaries, are relying on smaller building societies for their survival, especially for endowment mortgage business. Accordingly, a client of such a building society might find that he got a poor deal because the investment returns were poor and the front-end costs were extremely high. Of course, he would not find out until the policy was surrendered.

The operative word here is "might". Some building societies have tied to excellent life offices (like Friends Provident) and on terms which will not cause clients to suffer unduly. But the client is unlikely to know whether he is being offered a good or bad deal. A tied agent is not required to make any disclosures about costs or charges.

It is hard to suggest how a client could protect himself except by going to an independent intermediary. The problem arises from the lack of transparency in the selling of investment products. Ultimately, the SIB will watch for abuses such as undue escalation of commissions. "We would be concerned about hiding-up generally," says Vile. But that does not provide much comfort in the short term.

Polarisation, in theory, prevents an investor from being misled about what he is buying. In practice, it could make him confused about the precise role of a bank or building society. But at least it gives him a choice.

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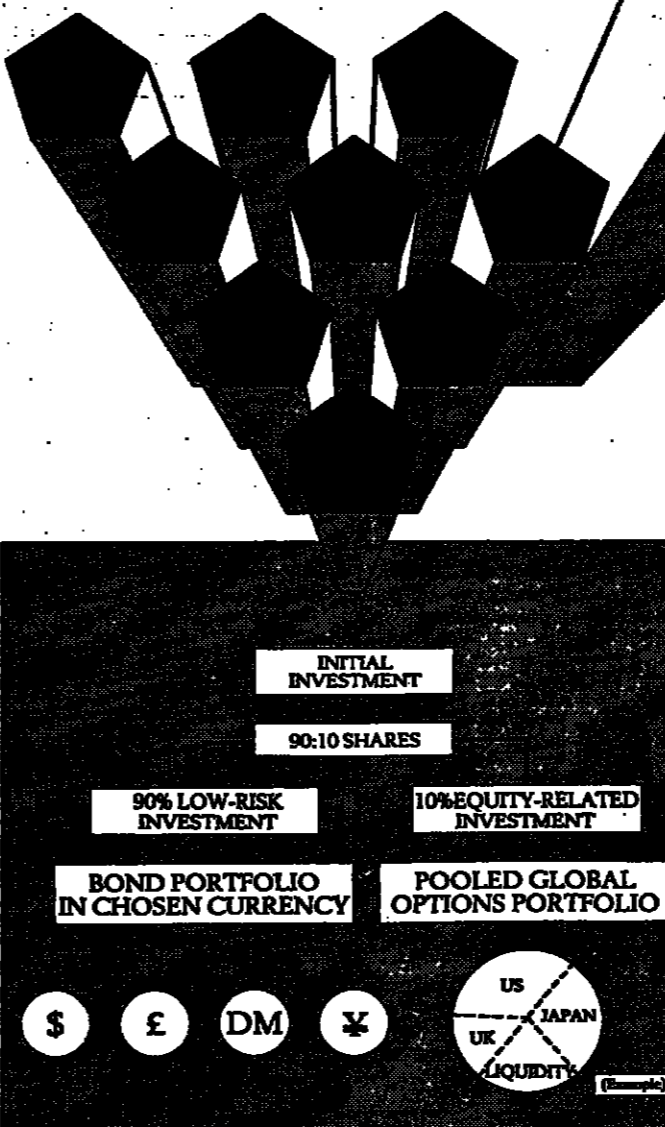
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## After the Act

Eric Short on the new breed of independent adviser about to be created by the financial services legislation

BUY YOUR life assurance, pensions or unit trusts where you see the sign reproduced below. This is the message to the public from the Campaign for Independent Financial Advice (CIFA), set up to promote the role of the independent financial adviser within the new regulatory framework for financial services.

On April 23, the key provisions of the 1986 Financial Services Act will come into operation. From that date, a number of developments will take place in the investment world. As far as the public is concerned, the most significant event is the marketing of life assurance, pensions and unit trusts.

All persons involved in investment business will have to be authorised under the Act or cease trading. Assuming they are authorised, intermediaries selling these products must make a choice under what is known as the "polarisation" principle.

On the one hand, they can become representatives of just one life company or unit trust group and sell only the contracts from that company. In this case, the authorisation would come through the life company or unit trust group.

Alternatively, they can decide to be truly independent and deal with the whole life assurance and unit trust market. Each independent company would be required to obtain its own authorisation.

Does it really matter which type of intermediary an investor uses? Is there any difference in the services offered by each type to clients?

The company salesman will be trained in all investment aspects by his company, and most life companies are devoting considerable resources to the training of representatives.

In contrast, the independent intermediary is responsible for his own training. He is also responsible for keeping abreast of developments.

The basic characteristics of the two types of intermediary would appear to be similar. Nevertheless, the 14 life companies backing CIFA are prepared to spend \$2m emphasising to the public

the immortal phrase: "Vice is difference."

The independent financial adviser has access to the whole of the life assurance and unit trust markets. He can select his contracts from a far wider universe than the company representative. For instance, the performance tables of with-profits and unit-linked life and pensions contracts and of unit trusts highlight the difference in investment expertise of the various groups.

The company representative is stuck with his own company's performance and product range, although these companies are paying much more attention to product range and investment performance.

Starting this week, CIFA will be highlighting the wider choice available from independent financial advisers and how to identify them. Independent financial advisers will display CIFA's logo in the office windows and on stationery.

If you want to use the services of an independent financial adviser, you do not have to walk down the High Street looking for an office displaying this sign. Simply dial 01-250 3800, give your postcode and you will be sent a list of the nearest 10 advisers. If you have forgotten your postcode, do not worry. The people answering the phone will find it for you.

But watch out. CIFA is in danger of presenting the independent financial adviser inaccurately as a paragon of investment virtue. Also, it conveys the impression that anyone displaying this logo has been given a seal of approval by the life companies concerned.

They have done nothing of the sort. The authorisation comes from the regulatory bodies, which will in turn handle any complaints. CIFA is no more or less than a public relations exercise.

At the end of the day, the investor himself still needs to be satisfied with the service provided by the intermediary, whatever classification is given.



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## Citibank's new way to invest in property

THE SEARCH for fresh forms of direct commercial property investment has moved a stage further with a new but limited scheme organised by Citibank and tied to developments of Warwick Balfour Properties.

Citibank has set up a £5.25m fund, subscribed fully by individual investors putting in £500,000 each, to invest in Warwick Balfour office projects on the fringes of the City of London and potentially in Warwick Balfour itself.

The investment earns a preferential interest rate return and a share in the development profits. The former has been set at 10 per cent with the first payment after the debts of the project have been cleared. Then, the fund takes 15 per cent of the profit.

At a later date, when Warwick Balfour seeks a Stock Exchange listing, investors in the Citibank fund will be entitled to 10 per cent of the equity.

Warwick Balfour has three office developments on the stocks, up to 40,000 sq ft in size, which are due for completion by summer next year. The company

Individuals have put in £500,000 apiece for a share in four London office projects. Paul Cheeseright reports on the implications

arranged project financing through Security Pacific Finance. That will eventually be replaced by 20-year commercial mortgage money supplied by Nykredit of Denmark — its first venture on the British market.

With the financing in place for the projects, the main concern for investors in the Citibank fund becomes the commercial success of the office themselves, including the ability of Warwick Balfour to build them on schedule and lease them quickly.

Michael Dowling of Citibank says that if the scheme goes well over the next year, the bank could establish another fund. So far, it has committed funds only to Warwick Balfour.

What is happening here is a form of investment syndication — an embellishment of schemes that provide a means of direct investment into Enterprise Zone properties, where there are big tax concessions, and the various projects coming through on the Stock Exchange for investment in single properties.

The Enterprise Zone and single property schemes depend directly on the rental returns from a property. The single property schemes could also involve calls for funds from time to time, say, for refurbishment. The Citibank-Warwick Balfour scheme, however, has the sweetness of the preferential return and the equity stake.

On the other hand, when single property schemes are offered to the stock market, probably later this year, they will be revenue-earning, thus opening up the possibility of an immediate return. With the Citibank-Warwick Balfour scheme, investors will have to wait for their first payments until after the buildings have been completed.



An artist's impression of a Warwick Balfour office development in Smithfield on the fringe of the City

### Expatriates

## Aids alarms insurers

Britain's biggest reinsurance company. Like all reinsurers, its business is to take on the risks that insurance companies dealing with the public do not wish to keep. So M&G has a clear commercial interest in expecting them to adopt a tough underwriting attitude towards Aids.

M&G's deputy general manager, Hugh Jarvis, says: "UK expatriates living and working in certain countries must expect insurance companies to ask more questions, to inquire about lifestyles, and to ask for blood tests." The countries in question are those in central and west Africa and parts of the Caribbean.

Blood-testing women for life insurance purposes is rare but a UK-based male proposes is likely to be asked to take a test if the sum assured exceeds £150,000. A male British expatriate planning to live and work in Uganda is likely to be asked for a test if the sum is as little as £25,000. Supplementary questionnaires for people going to certain countries, designed to provide extra medical

information as well as lifestyle habits, are becoming common.

Dr. Mary Reynolds is a senior executive at Canada Life Assurance and one of the industry's leading figures in the medical

Britons living abroad are finding it harder to get life policies because underwriters are taking a tougher line, says Peter Gardiner

underwriting of life insurance. She demonstrates just how seriously companies take the Aids risk for expatriates when she says that they will want to know if the policyholder will be working for a multinational company in a big city where medical facilities are well developed and simple conditioning is available readily. Such people will be looked on

more favourably than those going to remote areas of the bush or desert.

Depending on the type of life insurance and the Aids risk loading applied by the insurance company, the premium increases can be dramatic. The normal annual premium for a man of 30, taking out a 10-year non-convertible term policy with Canada Life to provide cover of £10,000, is £10.15p. If the company applies a loading of 55 for every £1,000 of cover, the annual premium shoots up to £60.15p — an increase of 494 per cent.

For a 50-year-old man taking out the same cover, the normal premium is £78.64p. An increase of 55 per £1,000 of cover would produce a premium of £120.84, a rise of about 71 per cent. In other words, the smaller the premium, the bigger the percentage increase.

The percentage difference becomes less stark with endowment policies, premiums for which are much higher because they aim to combine an element

of investment with the protection cover. But the trend is clear — and so is the effect on life insurance premiums for expatriates going to certain parts of the world.

Reynolds echoes the thoughts of many people in the insurance industry when she says that while her company is aiming to sell policies to expatriates, it is more cautious these days. Aids is now the largest killer of young Americans and insurers have stopped writing policies in some states.

Countries where Aids has not yet become endemic naturally are anxious to maintain that position. China, Czechoslovakia, South Africa and several Middle Eastern countries are among those which require a certificate showing that immigrants have undergone an Aids test which has proved negative.

Insurance companies in the UK are only now beginning to grapple with the Aids risk for expatriates, but the subject looks certain to be high on the agenda at an international congress of actuaries in Helsinki this July.

\*Peter Gardiner is editor of The International, the FT's magazine for British expatriates.

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## FINANCE &amp; THE FAMILY

## Saving on inheritance tax

For many years my wife and I, now in our 80s have lived in our freehold house as "Tenants in common".

We are now taking steps (to save inheritance tax) to alter this so that, on our first death, one half of the house will pass immediately to our two children, the other half going the same way on the second death.

Apart from this we have a substantial building society deposit in our joint names. How would it be best to handle this so that the "joint" sum will not be taxed twice. We each have our individual incomes sufficient to live on.

Why not simply close the joint account? The balance can be split between two new accounts - one for each of you. Talk things over with the solicitor who is helping you with your wills.

## Transfer of value

I would like to reduce the value of my estate by transferring some share to my sons, aged 30 and 26 respectively.

Would you advise me if I can do it myself and, if so, how? Or do I have to do it through a stockbroker? In both cases, what would be the cost?

You can do what you suggest, at least cost, by executing a declaration of trust in favour of your sons. Otherwise you will have to

prepare a series of share transfer forms and will need to cover the stamp duty on the transfers at 1/4 per cent.

## Worried over rent

I rent a small lock-up shop. The profit from it is extremely small but, added to my pension, keeps me living above the bread-line.

The Commission for New Towns sold this property last May, together with others, and we have a new landlord. Rumour has it that when our rents come up for review in two years, the landlord plans to increase them beyond our reach. We have leases with about seven years to go.

1. Is there no limit on rent review increases?

2. Bearing an increase in mind, can the landlord stop me from selling the remainder of my lease? Do I need to have his permission to do so and does he have to approve a new tenant?

3. If your answers are in my favour, is there a particular time of the year best to sell? I assume I would be taxed on the sum obtained.

1. There is a limit, which will be stated in your lease: probably the market rent disregarding your own goodwill and improvements carried out by you.

2. It is likely that your lease provides that you must seek your landlord's consent to an assignment or underletting. Such consent may not be withheld unreasonably. You must see what your lease says.

3. We cannot advise you on the best time to sell; you should ask an estate agent. Your tax position could depend on a number of factors which we do not know: but the first £5,000 of capital gains are exempt from capital gains tax.

## No relief in sight

I acquired a loan of £5,500 from a finance company. At the time of agreement I was told that I would receive tax relief on the sum, although the loan was for my daughter to buy a mobile home, both facts which the finance company knew.

However, when the first payment was due we were told that no tax relief was awarded. We were however, told that we could possibly claim independently.

Could you please tell me what my position is on this matter, and whether I or my son-in-law can claim tax relief, as, although the loan is in my name, my daughter and son-in-law pay the instalments.

It appears, from what you say, that you borrowed £5,500 from the finance company and lent the

money to your daughter and son-in-law on terms similar to those on which you had borrowed it. That being so, we are sorry to say that you appear to have to pay tax on the amount of the interest which has been paid to the finance company by your daughter and son-in-law (because they owed the interest to you, and you owed the same amount to the finance company).

Your son-in-law may be entitled to tax relief on the interest, as explained in the Inland Revenue's free booklet Tax Treatment of Interest Paid. It may be best if your son-in-law explains the full facts to his tax inspector, as the inspector may be prepared to accept that you were merely acting as nominee for your daughter and son-in-law: it would have been better if you had simply acted as guarantor for a loan agreement between the finance company and your daughter and son-in-law.

## Capital sanction

My father, aged 82, gifted me his half-share in his former family house just prior to moving into permanent private residential care costing £140 per week.

I already owned the other half of the above house as a result of my late mother's bequest.

The house is now up for sale (at £32,000). I estimate that



No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

within six months from the date of my father's gift his other residual capital resources will be reduced to £2,000 i.e. the level at which the DHSS usually would agree to provide supplementary benefit to meet the entire residential home fees. (The capital rule).

Is there a specific period of time that must elapse from my father's gift to me until benefit described above can be claimed without risk of the DHSS claiming that the gift is invalid? The DHSS "capital rule" leaflet states "If you deliberately get rid of any capital to get supplementary benefit for example by giving it away you may be treated as if you still had it."

It is obviously preferable for me to personally pay my father's home fees for a further year or more before applying to the DHSS on his behalf for fees to be paid by supplementary benefit if any capital to get supplementary benefit for example by giving it away you may be treated as if you still had it."

There is no specified time limit. It looks as if your father's case will attract the sanction stated in the leaflet i.e. he will be treated as if he had his half share in the house.

## Tax query on car plates

I have a personal (some call it checked) car registration number. If I sell my car with the number, it appears clear that there will be no tax problems. But if I sell the number and retain the car, is there any liability for tax - capital or income? I seem to remember a case where a person who bought whisky as an investment on a single occasion was deemed to be trading and was found liable to income tax.

We believe that, technically, you cannot sell a number plate but have to sell a car with number plate attached. A motor car, including a vintage car, is exempt from capital gains tax. Therefore, from a CGT point of view, even if the point was raised, you would argue that you were making a profit on the sale of a car so no such tax was due.

The possible liability to income tax is approached in a different way. If the only reason you bought the car, plus the personal number plate, was with the idea of making a gain on the sale, there could be a liability to income tax on any profit. However, if the purchase was made because you liked driving about in a car with a distinctive number plate with no idea of selling at a profit, there will be no liability to income tax.

There are a number of variations between these two extremes and sometimes it is hard to decide where the line is drawn between taxability and otherwise. If you are not in the habit of buying cars with personal number plates and selling them at a profit, we think the chance of your being liable to income tax is remote.

## CHESS

LAST MONTH'S Euwe memorial tournament in Amsterdam, where Nigel Short won first prize ahead of ex-world champion Anatoly Karpov, was billed as the strongest event ever held. Next month, this record is likely to be broken.

The EOE tournament, announced for Amsterdam from May 12-27, celebrates the 10th anniversary of the European Options Exchange and will include the top three grandmasters on the present world rankings: Kasparov and Karpov (USSR) and Timman (Holland) along with a second Dutchman, van der Wiel.

The average rating of 2,674 will be right at the top of international chess federation's category 17 and will include four games between the two great Ks. It just seems a pity that the organisers did not include Short as the fourth player.

Meanwhile, the first World Cup event - the Swift Banking Services International - is in full swing in Brussels with an impressive entry of leading grandmasters. After eight rounds, Jonathan Speelman of Britain headed the table with 5/7, in front of Salov (USSR) and Karpov 5/8.

Games so far have been a mixture of professional-type draws with the occasional imaginative brilliant move and it was Speelman again who produced one of the best wins of the tournament.

He showed in his candidates' match victory over Seirawan that his strength lies in the fast calculations and vision required for a tactical melee and, in defeating Victor Korchnoi, he beat a player whose own reputation is based on just this type of position.

White: V. Korchnoi (Switzerland). Black: J. Speelman (England). Modern Defence (Brussels 1988).

1 P-Q4, P-Q3; 2 P-K4, P-KN3; 3 B-K3, B-N2; 4 N-QB3, P-QB3; 5 P-QB4, N-KB3; 6 P-KB3, O-O; 7 N-B3, P-Q4; 8 P-K3, N-K3; 9 N-N3, P-N3; 10 N-N5, P-QB4; 11 P-KP, E-Q1; 12 Q-Q2, B-B4; 13 N-N3, B-KP; 14 Q-Q2, B-B4; 15 N-N3, B-KP; 16 B-QB4, Q-R4 ch; 17 K-K2, N-B3; 18 B-KP ch, K-K2; 19 P-B4, N-N5; 20 Q-K5, N-Q4; 21 B-Q2, B-Q6 ch; 22 K-K1, Q-RP; 23 P-B5, N-K6; 24 Q-P ch, K-K1; 25 N-R5, N-BP; 26 N-K3.

Both sides have committed everything to attack, and it seems that White has won the race; but Speelman's defences hold just long enough for a decisive counter.

26 ... Q-P ch; 27 K-R2, Q-Q5 ch; 28 K-K1, Q-R5 ch; 29 P-N3, Q-K5 ch; 30 K-B2, Q-K7 ch; 31 K-N1, B-K5; 32 Resigns.

The finish would be 32 R-KR2, Q-R ch; 33 K-K2, R-B ch; 34 K-N1, R-N7 ch; 35 K-K1, N-E5 ch; 36 K-K1, B-Q and wins.

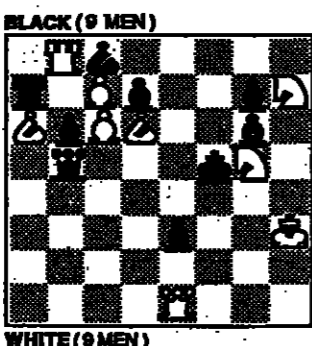
Another quick win for the Black pieces at Brussels demonstrated the dangers of over-reliance on a conventional drawing variation. White's central pawn exchange at move 4 is thought to guarantee a slight initiative with minimal risk, but his plan of a queen's side advance proves extravagantly slow against a direct attack.

Belyavsky's general strategy - mate on the KR file, with the White king's escape stopped by a sacrifice - is known, but it is so unexpected from a classical Slav Defence that White realises the danger too late.

White: Y. Seirawan (US). Black: A. Belyavsky (USSR). Queen's Gambit, Slav Defence (Brussels 1988).

1 P-Q4, P-Q4; 2 P-QB4, P-QB3; 3 N-QB3, N-KB3; 4 P-KP, P-KP; 5 B-B4, N-B3; 6 P-B3, B-B4; 7 N-B3, P-K3; 8 B-QN5, N-Q2; 9 O-O, B-K2; 10 B-N1, P-K3; 11 B-B1, B-QB1; 12 N-QB4, P-N4; 13 B-N3, P-KB4; 14 P-KB3, P-N5; 15 P-KP, P-KP; 16 N-K5, N-K1; 17 B-N1, P-B3; 18 B-N3, K-B2; 19 B-K1, B-B4; 20 Q-Q2, B-K3; 21 K-B1, B-B3; 22 Resigns. If 22 P-K3, P-K3; 23 K-N1, Q-R1 and mates.

PROBLEM NO. 719



WHITE (9 MEN)

This week's problem is the first stage in the open-to-all Lloyds Bank British Solving Championship. White plays and checkmates in two moves, against any Black defence.

To enter the competition, simply solve the problem and send White's first move in any recognised notation to Lloyds Bank Chess, 75 Lambcroft Avenue, Mottisingham, London SE9, marking your entry "Financial Times". Closing date is July 1.

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Take care with your answer - this is a harder puzzle than in recent years and there are several near-misses to trap the unwary.

Leonard Barden

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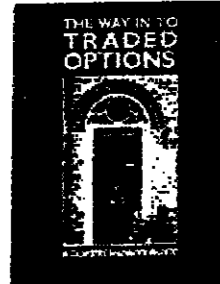
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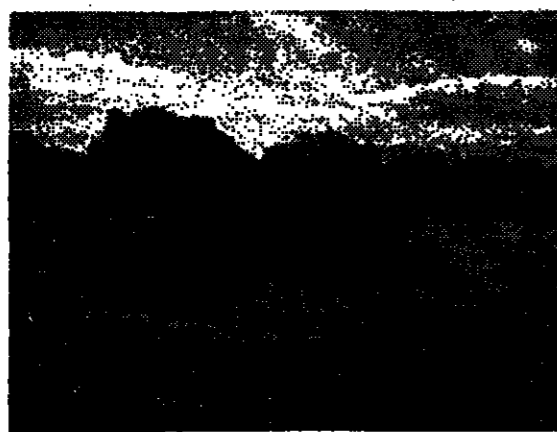
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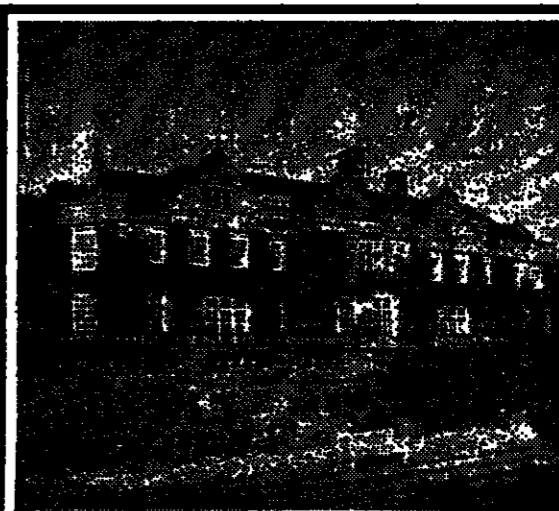
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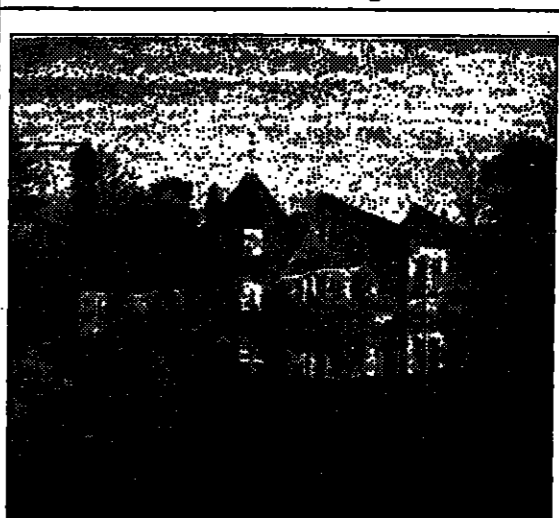
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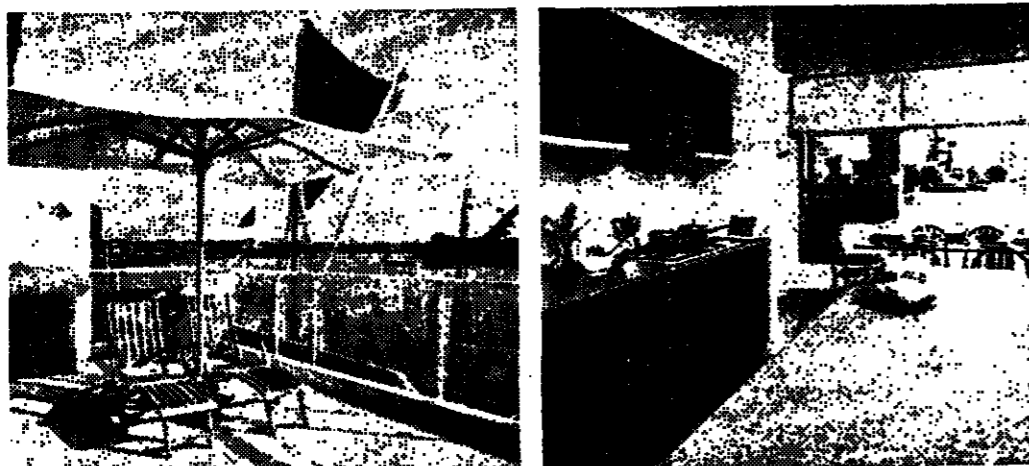
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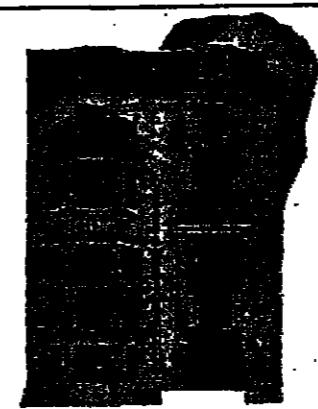
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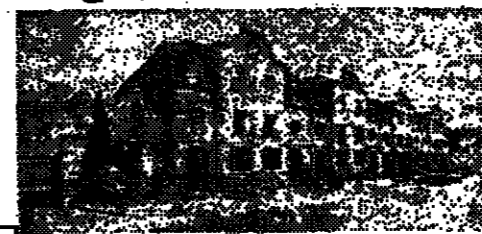
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## WEEKEND FT REPORT

A world of art, music, golf, chicken Kiev and bridge on Ilkley Moor: Alan Forrest reports on a growing leisure industry

## How to get on course for the holidays

IF YOU own a house with 300 bedrooms, mostly unoccupied in July and August, what do you do with it?

One answer is that you go into the summer schools business, which is why public schools like Marlborough and Taunton are preparing for the months when school leavers give way to chicken Kiev and roast Wellington, and why university course organisers are checking on the logistics of coping with families when the kids want to play computer games while mum paints in water colours and dad is out with his binoculars looking at the wildflowers.

Summer schools are becoming one of the big growth areas in the UK tourist business and there are several reasons for this. For most families, particularly those in which parents are in professional jobs, a holiday year now means three breaks, with the main trip for foreign parts still dominating, but with what to do for a week or so in the UK still concentrating the holiday.

A recent television programme on what UK holidaymakers could do on the inevitable rainy days featured the "super-museums" like the Viking Village at York, and Beaminster, which provides an industrial and social history of Dorset and the North East. The summer schools also provide this kind of intellectual refuge from the English weather. "Turn rainy days into brainy days," as one of their course organisers put it.

Summer school holidays, of course, are aimed at the family. Age limits are wide, from 10 to until you're too old to handle a paintbrush, a hefty reference book or a pint tankard. The family with dad, mum and the children doing three different things is the ideal. In fact, incidentally, many schools do insist that special residential arrangements are made for children under seven. But course organisers do insist that they are ideal for people on their own.

Most week programmes provide a get-together session, introduction to the school, and drinks are exchanged and it is said that lifetime friendships are made. "If it all sounds a bit like a Butlin's for intellectuals, that isn't quite the image we want," said one chief tutor.

To anyone who knows summer schools only from years ago, the change, I'm assured, is dramatic. Forget memories of earnest eye-

lings discussing logical positivism in an atmosphere heavy with the smoke of boarding-house cabbage. Summer schools have gone up-market in a pleasant way, which is why Chicken Kiev is so important in July and August.

Probably one of the best guides to what is available is the National Institute of Adult Continuing Education's booklet on Residential Short Courses. It lists university and school courses and weeks at pleasant and often elegant country houses. For example, a "Watercolour Week at Weobley" costs £168, which includes tuition, tuition, breakfast and a five-course evening meal, fresh farm eggs and home baking.

Weobley is painter Bob Kilvert's 14th century Old Corner House, 11 miles from Hereford, made famous by the poet John Keats. His courses run from the beginning of May until the end of September.

Music lovers are being tempted to Hitches. Benslow Music Trust's residential centre at Hartfordshire, its Beethoven Festival from July 1 to 10 offers a £220 package which includes, as well as accommodation and food, concerts by the Albani Quartet, other music and lectures by Professor Denis Matthews.

The guide offers many more courses. There are 185 schools featured in universities, polytechnics, residential colleges and schools with fees ranging from £40 for tuition only to a ceiling of about £400 for tuition and accommodation.

An organisation called Summer Academy, based at the University in Canterbury, Kent, brings together nine universities offering 64 holidays on the arts, literature, heritage and the countryside at a cost of £115 a country. Included are Campus Holidays in Scotland does a similar service for eight universities.

St Andrews puts out its own impressive colour brochure - offering courses on Discovering Scotland and, naturally enough, golf weeks from June to July.

At the University of Hamilton Hall with "unlimited golf on the New, Eden and Jubilee courses." The price is £209 a week and though the brochure points out that there will be no professional tuition, it gives all the help and advice they can.

An invaluable guide to what



## A case of not in front of the children...

I THINK it was Frank Muir who once confessed that when he first laid hands on a bottle of pills bearing the warning "Keep away from children" he was tempted to say "I always do." A lot of parents faced with holiday choices may have some sympathy with Mr Muir.

The tradition in this country is still much in favour of family holidays. The old American custom, well known to those of us sent up by Hollywood, of sending the juniors away to summer camp and forgetting about them for a few weeks has never really caught on over here. But there are signs that more and more parents are interested in offloading the brood for a week or so for just one of the annual breaks.

Invaluable advice on this matter can be found in the English Tourist Board's brochure on Activity and Hobby Holidays in its chapter on Holidays for Children. A lot of the best features - not quite summer schools but very similar - offer the service for families, but as the guide puts it: "Unaccompanied children delight to make the break from the apron strings, and as they usually live and work in small friendly groups, they are able to vote their holiday a great success."

The section offers a richness of choice. Kids love to feel the squish of clay through slippery fingers, the book says, so why not pottery? The more dedicated can work on trying to produce masterpieces, but the very young children can produce "a piece to be proud of by using the simplest techniques."

Sport also high on the list and it is pointed out that England's present junior European archery champion and the silver medalist first learned their skills on an activity holiday. One centre, it is said, claims to have trained more archers than the British Olympic team.

More active children can discover a head for heights by

abseiling down cliffs and towers, tackling an assault course, learn to throw a boomerang or race a raft.

The tourist board divides its children's holidays into several sections. The arts and crafts section includes, for example, Camp Beantown at Godmanchester in Cambridgeshire, which takes youngsters from 8 to 17, Easter and summer, for handicrafts, junk modelling, pottery and a range of other activities. It organises all-year computer courses at the Kingswood Computer Centre in North Staffordshire and has 12 centres across Britain with pick-up points in most towns. It also offers a range of sporting courses, including clay pigeon shooting and lots of other things from film-making to windsurfing.

Another centre specialising in children's holidays and making

says: "Some offer fixed programmes, others let children choose what suits them best - but most provide the ideal chance to let off steam in a variety of exciting and unusual ways under the eyes of trained instructors."

One of the places making a bid for the whole family is Sheffield University's Free Time programme - "Fun and Study" - runs from July 24 to August 13 and offers a range of other things, hot-air ballooning, playing a sport, treading the boards and learning to juggle "in a relaxed and friendly atmosphere."

The course is based at Tipton in a modern hall of residence adjoining the university's famous botanical gardens and a mile from the city centre. The list of all-day courses starts off with belly dancing, "an extremely ancient dance form increasing in popularity in the west." It is, we are assured, beneficial physically and emotionally and suitable for all persons, whatever shape, size, weight or age.

After that we settle down. Other things on offer include fly-fishing, rock climbing, walking with Bob Hedderley, a professional guide, and a "prepare young people for higher education." And amid all this, Sheffield offers a special children's programme for seven to 11s "placed very definitely on fun and enjoyment." All this, and flower arranging too.

The "free time" depends on whether you're on a whole-day or a half-day course, but there are games and drinks and barbecues and country walks and a farewell dinner every week. The cost: up to a £180 a week for adults for an all-day course with two lower price-levels for seven to 11s and 12-16s.

These are only a few of the centres mentioned in the ETB's guide. All of them and the rest make their claims to be a child's paradise in a rural setting, summer week or two. Some take families, some don't. As the guide

great strides is Severn Valley Sports at Wotton-under-Edge, Gloucestershire. Its sporting activities include soccer, rugby and riding as well as English lessons for young foreigners. Courses in July and August cost from £25 a week full board.

If there is anything that will release a child from the apron strings it is riding a horse. Riding and pony trekking is well covered in the ETB's guide. Camp Beantown is firmly in this market with two or three-week riding holidays at Easter and summer for the eight to 17 year olds. The North Gloucestershire Riding Centre near Nail offers beach and riding for the 11-plus, with gymnastics and barbecues.

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There are only a few of the centres mentioned in the ETB's guide. All of them and the rest make their claims to be a child's paradise in a rural setting, summer week or two. Some take families, some don't. As the guide

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## Where to keep looking for the good buys

THE TROUBLE with summer schools is that there are so many of them. Most of them give a good service, but if you are a beginner and searching for somewhere to go, you can come unstuck.

Someone I know booked a painting holiday in Devon on the strength of a newspaper small ad and found it interesting but unproductive. She was locked up in Dartmoor, or so it seemed, with a party of women who seemed to live on brown rice and meditation, and her return from an off-hicence several miles away with two fairly harmless bottles of red wine created problems which were not solved without a whip-round (£50 per person) for the sharing of the wine. Outside, her car sank in the mud and cost money to have it extricated.

The moral of this, as the Duchess said, is that you don't book a summer school holiday without reading the many excellent guides, most of which guarantee that you don't end up on Dartmoor with a soggy motor car.

Some of the most dedicated summer school students are musicians and music lovers.

They can find the guide to summer schools produced recently by the magazine, Classical Music. This gives information which is vital for this kind of holiday - places like Coleg Harlech in Wales, where students can play orchestral or chamber music in a concert hall atmosphere, and the Dolmetsch summer school at Richmond Park in London, where enthusiasts for early instruments can find the holiday they want.

The Classical Music Guide to Summer Schools costs £1.50 from Classical Music (Summer Courses), 241, Shaftesbury Avenue, London WC2.

The summer is a peak season for foreigners wanting to learn English, or simply immigrants who want to learn the language. The Archa Pelco (Association of Recognised Language Teaching Establishments in Britain) guide offers foreign students a wide range of courses throughout the year in centres such as Bath and Brighton, the Cotswolds and London, where students can be complemented by sea, sun and the bright lights. Archa Pelco can

be contacted at 125 High Holborn, London WC1 6OD (Phone 01-242-3136).

International Language Centres is based at Hastings on the Sussex coast. Its courses at International House, White Rock, offer a wide selection of training from study for Cambridge exams to vacation courses for adults and juniors. Courses outside Hastings are held at Cambridge, Guildford, Chester, Hereford, Salisbury, Tisbury, Wells and in London at Regent's Park and Wimbledon. For further information, contact International Language Centres, International House, White Rock, Hastings, East Sussex, TN34 1JY. (Phone 0424 720 232).

Other useful guides with addresses

The National Institute of Adult Continuing Education, 198 De Montfort Street, Leicester LE1 7GE (Phone 0633 551451). Its guide is £1.16 including postage and packing.

St Andrews University Holidays, 3, St Mary's Place, St Andrews, Fife KY16 9UY, Scotland. Phone 0334 73428.

Summer Schools 88, two first class stamps, from the Independent Schools Information Service (ISIS), 55, Buckingham Gate, London SW1. Phone 01 830 8765.

These are just a few of the guides available to help you to make your choice. If still in doubt, ring the school or university you think you've chosen. Most of them have answering services and will ring back fairly quickly.

Just to end it all, there is a theory that the famous public schools are mainly sought after by those who never went to a public school. Some course directors tell the story of the City of London man who has attended two summer schools, one at Marlborough and one at Rusk College. He now introduces himself as "Watson, Marlborough and Oxford." If he is happy, nobody cares, and anyway, why should summer schools collect a little snob appeal along with other institutions?

Alan Forrest

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At the start of 400th anniversary celebrations of the Armada's defeat, Pedro Schwartz argues that it was not so much an English victory . . . more a Spanish disaster

## The Armada through Spanish eyes

Another flotilla to set sail

IT WAS THE lack of a deep-sea harbour in Spanish hands, where the Armada could embark the troops of the Army of Flanders under King Philip II of Spain that allowed the English fleet and the Dutch flotilla to thwart the invasion of England in 1588. Then, a late-summer nor'westerly gale on the return journey round the British Isles blew half the Spanish fleet into the rocks off the north of Ireland. Thus it was that the fearful attack of the most powerful King of Christendom against Queen Elizabeth came to be parried and undone.

The Spanish motivation was clear — something had to be done. The proverbial prudence of Philip II had been tried to breaking point. The trade monopoly the Castilians had imposed on the Western Indies (as they called what was to be known as "America") was being broken constantly by the French, the Dutch and, especially, the English.

The rebellious Dutch of the United Provinces were supported more and more blatantly by the English Queen. The Roman Church that Philip had helped to re-establish when he was King Consort of Mary Tudor was being persecuted. Elizabeth had not only spurned his repeated offers in marriage but brought the Catholic Mary Stuart, to the scaffold.

For many years, the Spanish galleons plying the route of the Indies had been prey to pirate attacks from ships chartered in England, sometimes by private companies in which the Queen held shares. The income the Spanish King obtained from his share of the produce of the silver mines of the Indies was essential for his treasury.

In 1587 and 1575 he had to suspend payments and come to an arrangement with his bankers. The first time was because of the debts inherited from his father, the Emperor Charles V; the second was caused by a temporary reduction in the amount of silver coming from the Indies and the expense of the two armadas prepared from Flanders in 1574 and 1575.

Towards the end of his reign, of the 11m gold ducats the royal treasury obtained as income every year, silver equivalent to 2.8m gold ducats (worth today some £10m to £20m) came from the Indies. An indication of the importance of the Indies to the expedition against England was that he approved a total budget for the whole amphibious operation of no less than seven million ducats.

A first successful expedition against those preying on his galleons had been the conquest of the Azores by the Marquess of Santa Cruz, who was to be admiral-designate of the grand Armada. Philip had conquered Portugal in 1580, thus bringing the Portuguese colonies under his sway. But the Azores resisted through an alliance of the Portuguese Pretender, the French and the English. In Spanish eyes, the pretensions that used the islands as a base had to be crushed out.



The Armada from Orléans Desm. Naussauhen Lauren-Crass, 1610

In 1582, Santa Cruz conquered the island of San Miguel. He returned the following year at the head of an armada of 98 ships and took the island of Terceira by disembarking 4,000 troops under enemy fire: the infantry was transported in shallow boats tugged by galleys under cover of the artillery on board the galleons. Obviously, this was conceived by Santa Cruz and his King as a dress rehearsal for the invasion of England.

All along, sea transport was the obvious problem for Philip II. With the English Channel controlled by Elizabeth and the Flemish ports blockaded by the Dutch, he had to bring his troops and supplies for the Flanders war from Naples and Milan through what are today Savoy and Luxembourg.

Alexander Farnesio, the Duke of Parma, nephew of the King and his generalissimo in Flanders, conquered the port of Antwerp in 1585. This alarmed Elizabeth and she signed the Treaty of Nonsuch with the Dutch

Estates General, under which an English expeditionary force would come to the help of the Protestant rebels.

Instead of obeying immediately the suggestion of Pope Gregory XIII "to reduce the kingdoms of England and Ireland," Philip decreed merely the seizure in Spanish ports of English ships carrying Dutch goods. Elizabeth retaliated by sending 25 men-of-war under the command of Sir Francis Drake to loot Vigo and then sail on to the Caribbean.

After Gregory's death the new Pope, Sixtus V, seemed prepared to help finance an expedition. In 1586, Philip, on hearing that Drake had looted Santo Domingo, gave the orders to start preparing the fleet. Things were far advanced the next year when Drake again "singled the beard of the King of Spain," he took or sank 24 boats in Cadiz and burnt precious stores for water casks in Sagres. Then Elizabeth had her

cousin, Mary Stuart, beheaded in 1587.

Philip wanted his Armada, under the leadership of Santa Cruz, to strike anchor outside Margate in Kent. The idea was for Farnesio, to take his assembled troops across the Channel in small boats only — the assumption being that there would be plenty of them. Farnesio wanted to take 15,000 troops and 5,000 horse across and expected to get some 10,000 more infantry from the Armada.

So, the total priority was to get the 25,000 men and horses across the Channel. The instructions for Santa Cruz were to pay no heed to enemy ships "until Parma will have passed safely with his army, only to assure him the crossing and stop any enemy fleet." Logic could then have been reached quickly.

Things started to go wrong from the beginning. The Armada did not sail in '86, nor in '87. Santa Cruz died

A FLOTILLA of books, wall charts, games, summer fairs, yacht races, model galleons, old maps and lavish photographic reproductions has set sail. It will be landing on these islands at the end of April and will stay to July to mark the 400th anniversary of the Spanish Armada.

The main events include an exhibition at the National Maritime Museum, Greenwich, which will open on April 22. The exhibition, sponsored by Pearson, owner of the Financial Times, will be the largest catalogue will be published by the Penguin while a background volume, *Royal Armada 400 Years*, will be issued by Macmillan Research (Armada) at £3.99.

A new yacht race, *The Armada Gold Cup*, from San Sebastian to Plymouth will be held. Queen Elizabeth II's two-day visit to Thurrock will be re-created, and will include a journey by barge from Lambeth to Tibury where the Queen made her famous rallying speech to the English troops.

On July 19 a mock battle will be staged off Plymouth Sound, and on the same day hostilities will be lit across the country at sites associated with the armada. For those who wish to make an authentic model of a Spanish galleon, 38cm

high and 45cm long, David Woodruff has devised and illustrated a cut-out kit in *Pearson's Past Time series* (£3.50).

There is also a board game called *Battle of the Armada* by Jon Rutherford and Simon Farrell (Pearson) £2.50. "A Spanish fleet can only attack an English fleet when the two fleets are in the same hex," the rules explain.

There are books galore: *The Spanish Armada* by Colin Martin and Geoffrey Parker (Hamish Hamilton £15.00) who are respectively director of the Institute of Maritime Studies at St Andrews and biographer of King Philip II. The book will be the basis of a BBC television series to be broadcast in August.

In its wake, with a good strong wind behind, naval historian Peter Padfield's *Armada* (Collins £14.95) is full of detail about the logistics of the campaign. Then there are *The Campaign of the Spanish Armada* (Penguin £17.95) by Lt Col Peter Kemp; *Drake* (Hart-Davis's *Armada* (Bantam Press £16.95); and, in paperback, *The Illustrated Armada Handbook* by David A Thomas (Harper £3.95).

Cap'n, at the 'sleepin' there below?

Drake lay in wait at Plymouth and were attached from the rear on July 31, but kept their formation with the transport ships covered by the men-of-war. The English fleet numbered 50 ships under Howard and 30 more under Seymour, riding before Calais.

Then came the battle on August 2 before Portland Bill, where the Spaniards actually put Frobisher in difficulties. On August 4, there was the encounter before the Isle of Wight when at last the English succeeded in isolating two Spanish ships: one of them, the Santa Ana, sank finally in Le Havre.

By the 7th, Medina Sidonia had his fleet at anchor before Calais, trying to get munitions from Farnesio and perhaps attempting the embarkation of the Flanders troops. But the Dutch shallow boats kept the invasion troops aground (if anyone played a crucial role, it was the Dutch commissioned ships and privateers that, without much fighting, sank the plan

of the Spanish King. Had Calais been in Spanish hands, as it later was in 1598, the story could have turned out differently).

In all, up to that point, the Spaniards had three ships looted, two taken, two sunk, and one transport ship run aground in Devon. The smaller size and greater manoeuvrability of the English ships, together with the greater emphasis on heavy-range cannon, allowed them to avoid being boarded, a manoeuvre that was the great strength of the Spanish fleet.

The strategic point of the expedition had therefore been lost irretrievably by the time Howard had his stroke of genius and sent six fire ships into the Armada riding off Calais. The disorganised Spaniards, now short of ammunition, were attacked at Gravelines and lost one further ship, the Maria Juan.

The danger of a complete rout was great and Medina Sidonia decided to take advantage of the southerly wind and sail the long way home round Scotland. The armada had suffered much at Gravelines. Now, lack of supplies, harping ships and inadequate maps put it at the mercy of a strong gale. The story of the disaster on the rocks of Ireland is well known, as is the savagery of the slaughter of most Spaniards who set foot on Irish soil.

From the 130 ships that left Lisbon in May, 64 never returned, of which 24 were men-of-war. Still, Medina Sidonia brought back half the Armada. Philip II, when he heard the news, thanked God that, having lost so many branches, the tree of the Spanish monarchy was capable of forming another powerful navy (as Drake found out to his chagrin the year after the Armada when he could not enter Lisbon and Corunna); and in 1597 Philip gathered another fleet of 196 ships, only to have it dispersed by a gale off Falmouth.

In sum, the expedition of the Armada was a Spanish disaster rather than an English victory. Had Farnesio conquered London, the history of Europe might have been rather different. Philip had offered the crown of England to James of Scotland, but was disillusioned when he saw his passivity over the beheading of Mary Stuart. He then thought of Isabella Clara Eugenia, who later proved such a tolerant and wise ruler for Flanders.

It could be argued that English laws and language would have been in no danger since the Spanish monarchy was a collection of kingdoms with their customs and privileges. After all, in the Iberian peninsula itself, different legal systems and languages have survived even the centralising inclinations of the later Bourbons. However, the fate of the Protestant religion might have been a different story . . . along with the future course of capitalism.

Dr Pedro Schwartz is an economics lecturer, Southampton University, and author of *Spain's Golden Age*.

Soviet ceramics hit the heights as fire devastates a Leningrad library of rare historical worth

## Premium prices for neglected porcelain

SOVIET PORCELAIN of the early revolutionary years, neglected until comparatively recently by collectors and museums alike, now ranks among the highest-priced 20th-century factory ceramics.

In a sale of Russian works of art on Thursday, Christie's in London expects a price of £10-15,000 for a porcelain inkwell dating from 1928, designed in Suprematist style by Nicholas Sudin. In the same sale, a collection of plates celebrating the triumphs and urging the slogans of the revolution are estimated between £2,000 and £5,000 each.

This new interest, particularly strong in the United States — reflects a general fascination with the extraordinary (although short-lived) flowering of avant-garde art in the period of euphoric idealism after 1917. The impetus came from the top. Within two months of the October Revolution, for example, Anatoly Lunacharsky, Lenin's commissar for education, declared that the old Imperial Porcelain Factory in Petrograd should be reorganised to produce artistic products to serve the new state and the proletariat.

Despite the dislocation of the factories and the desperate short-

ages of fuel and raw materials in the period after the First World War, the new regime initiated a programme of industrial design that was far ahead of its time.

Artists were involved purposefully in the revival and planning of industry, with the object of promoting production of consumer goods that would not only be well designed but should also serve the ends of propaganda and instruction. In this age of heavy idealism, no artist felt himself superior to the patriotic task. Malevich, Kandinsky and Tsinlin all designed for the new State Porcelain Factory.

The ceramic artists represented various factions of contemporary art. Some of those who had been working with abstract forms before the revolution, represented the movement which had formed around Diaghilev's pre-

revolutionary magazine, *The World of Art*. As Diaghilev was doing outside Russia, they discovered a successful amalgam of traditional folk arts and the avant-garde movements of the new century.

Cubism, Futurism and above all Suprematism, with its daring geometrical abstractions, all made their characteristic contributions to ceramic design.

Generally, these artists were concerned with decoration rather than basic ceramic work. Indeed, for several years the major work of the State Porcelain Factory was to decorate plates left over in white, undecorated form as far back as the 1890s.

This is why, rather strangely, most of the early revolutionary plates carry on their underside, alongside the imprint of the Soviet Porcelain Factory, marks of the old Imperial Factory and dates from the period of Alexander III and Nicholas II.

The decoration of many of the plates features the insignia of the Soviet state — red flags and stars, hammers and sickles, portraits of Lenin and Marx and the new nameless proletarian heroes. Some commemorate historical

anniversaries and events like the inauguration of the first five-year plans, or draw attention to the catastrophe of the great Volga famine of 1921.

Others carry apt slogans that range from the communist manifesto ("Workers of the World Unite") to Cherep, John Ruskin and Thomas More ("Everywhere I see the conspiracy of the rich seeking their own ends in the name of the general good").

As well as the plates, the state factories (the Petrograd factory was soon joined by others in Moscow) produced useful wares although some of these, like Malevich's "half cup," clearly were not especially utilitarian. The old Gardner factory in Moscow had been famous in the 19th century for its figures of Russian types. The new artists produced a lively series of Soviet types which remained in production for many years — Red Guards, sailors, peasants, women sewing banners and making speeches.

Despite its brave proletarian intent, the new revolutionary porcelain was expensive to produce and remained a luxury product for export, for exhibitions, or for special presenta-

tions. In Petrograd it was sold from a special shop, of which a lively eye-witness account has survived: "There, on dazzling white plates, red stars glittered, the hammer and sickle shone with the dull gleam of gold on porcelain, and fabulous flowers were played into the monogram of the RSFSR."

"There stood tiny porcelain Red Guards, sailors and partisans, and new 'Reds and Whites' chess sets sparkled. A large plate bore the legend, carved with a garland of flowers: 'We will turn the whole world into a blossoming garden.' Passers-by would stop at the window and gaze long at the china."

The selection of plates in the Christie's sale includes examples in Cubist, Futurist and traditional folk styles as well as a cup and saucer with a classic Suprematist design by Sudin. One of the time the building was sprayed with water by 25 fire engines, a procedure almost as damaging to books as the blaze itself. One of the academicians, Dmitry Likhachev, remarked in an interview (reported in *Moscow News*) that the Soviet Union had suffered "a Chernobyl of our culture."

The library was founded in 1714 at the height of the drive for modernisation launched by Peter the Great. It has long been one of Russia's national treasures, the main repository of the country's collective memory, an intellectual resource, unwatched and irreplaceable. It is believed to have housed 12m books, journals, newspapers and manuscripts — "storage units" as they are called in the reports.

According to official estimates, nearly 500,000 books were destroyed. Among them were several specialised collections, some of them unique. The medical department's library, which dates from the 16th century, has gone completely, as has the Beer Fund which contained 500,000 manuscripts and books relating to Pushkin, Lermontov, Dostoevsky, and several other of Russia's greatest writers. The building has not been repaired thoroughly

## A cultural Chernobyl

A NEW DISASTER has struck the Soviet Union. On February 15, the Library of the Academy of Sciences in Leningrad caught fire and burned for 19 hours. For most of the time the building was sprayed with water by 25 fire engines, a procedure almost as damaging to books as the blaze itself. One of the academicians, Dmitry Likhachev, remarked in an interview (reported in *Moscow News*) that the Soviet Union had suffered "a Chernobyl of our culture."

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many fragments which otherwise would have been shelved into oblivion.

Many institutes in Leningrad have lost their facilities to books with the drying out. Hundreds of citizens joined in the tedious work of interspersing the pages of books with dry paper. Other books have been put in freezing compartments all over the city to await their turn. The building reeks of the formalin being used to combat the mould.

Like many disasters, this one was not unexpected. In 1985, a number of academicians wrote an article warning of the risks. They could not be accused of alarmism, given the recent record of the Soviet Union. Among libraries lost to fire or floods have been those of the history faculty at Leningrad University, the department of rare books at the Krupskaya Library, the Plekhanov, and the Rostov Regional Library.

Still standing is Pushkin House which contains 500,000 manuscripts and books relating to Pushkin, Lermontov, Dostoevsky, and several other of Russia's greatest writers. The building has not been repaired thoroughly

since 1822 when it was erected. In 1986 and 1987 the hot water pipes burst more than 40 times, causing damage to some of the collection although not to the manuscripts. It has been estimated that, if it caught fire, Pushkin House would burn to the ground in 15 minutes.

Likhachev sees the neglect of the libraries not only as inefficiency but as an example of a general downgrading of humane values and studies. He says that alongside the decaying libraries are comfortable new buildings where party officials meet to debate "the crisis in moral integrity."

The Soviet Union is expected to seek the help of UNESCO and of countries abroad in the work of rescue. When Florence was flooded, experts from the Hermitage played their part in an international effort, and no doubt many organisations will contribute willingly. But who will ensure that attention is paid to the less glamorous work of prevention, precaution and contingency planning?

William St Clair

### Appointments

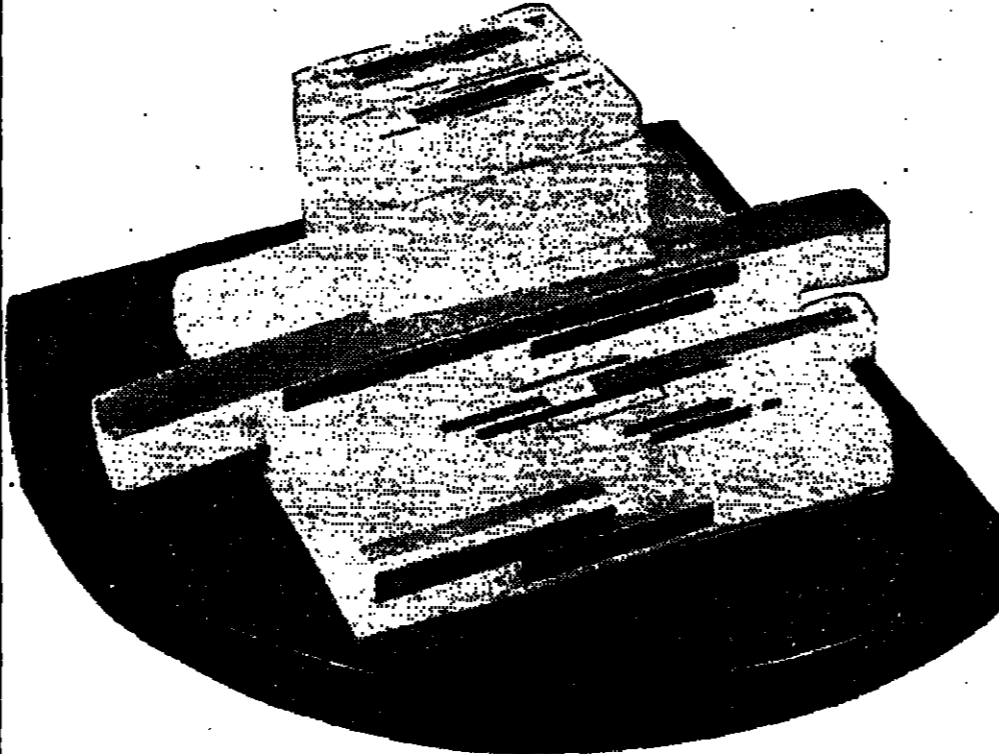
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## Portrait of two Q's

QUILLER COUCH: A PORTRAIT OF 'Q' by A. L. Rowse. Methuen £14.95, 228 pages

THE WORKS OF Sir Arthur Quiller-Couch, better known as Q, have passed, if not into total oblivion at least into that no-man's-land state where they are seldom read. His individual style of criticism, that of an appreciative essayist, wide-ranging and well-read, is right out of fashion. His main editorial labours, *The Oxford Book of English Verse*, and the Cambridge University Press Shakespeare, have both been superseded.

Even in the period before the Second World War his taste seemed that of an old-fashioned fuddy-duddy. "Luckily," wrote Aldous Huxley in the preface to the anthology *Texts and Pretexts*, "there are more fish in the sea of literature than ever came out of it - at any rate, in the nets of Palgrave and Quiller-Couch and Bridges."

An ungenerous observation but interesting in its placement. Q's stand in literature was, as Rowse's perceptive portrait shows, an odd one. Although he grew up at the turn of the century he missed becoming infected

by the aestheticism of the *fin de siècle*. He had his own resources to draw upon from the Cornwall of his boyhood, his love of sailing, and sensitivity to the life of the countryside.

At any rate by the time he got to Oxford, as he tells us in the posthumous *Memoirs and Opinions*, the cult of beauty and "Tennysonian enthusiasm" was fading almost with the famous Union frescoes. Walter Pater, the catastrophic guru for so many young men of the period, was still at Brasenose, and could be persuaded to attend the deliberations of a small literary society to which Q belonged. But Pater was "as a god resting - as it turned out, as a god drawing to the close of long rest between two avatars..." and thus Q escaped the full indoctrination.

Instead Q was forced to enter the hurly-burly of London publishing and literary life to try to scratch a living by his pen. A Second in Greats shut out any immediate prospect of academic pastures and the collapse of the family fortunes after the death of his father, a country doctor, left the young man, who had by now a wife to support, no option but to shoot his cuffs and churn out poems of fiction.

Rowse's chapter on London: Literary Life in the Nineties is

among the most informative in a work that is a typical mixture of fascinating historical facts and quirky asides, a successful Cornish pastiche of a book. Rowse captures well the expansionist mood of London at the time which extended to the world of publishing (there are analogies with our current situation) and prompted the mushroom growth of dozens of new journals. Many of them were in the market for short stories and Q, to whose unpublished letters Rowse has had access, was a prolific contributor.

He was at the opposite pole from the pathetic backs immortalised by Gissing in *New Grub Street* (the key book to this period), even though he did collapse from nervous exhaustion by the end of the decade. His talent was utterly spontaneous, capable of spinning endless absorbing yarns out of the sea-swept Cornish soil. His beloved Fowey where he became a local worthy of some stature became translated into fictional Troy Town. A travel among these tales especially those which turn on supernatural happenings would dredge up some memorable, unjustly neglected work. On a desert island I would prefer to have the tales of Q for constant reading and re-reading to those of Kipling even though he was the greater genius.

Q's marriage was a happy, lasting one. Rowse has none of the usual modern biographer's skeletons to rattle out of the cupboard; but Q's life was blighted bitterly when his son Bevil, who survived the war gallantly as an infantry officer, died shortly after. By this time Q had become an academic and an anthologist with a chair at Cambridge in English Literature. We think of Cambridge English as the creation of Leavis and we forget the truly pioneering work of Q which truly established the School.

Part of his work there consisted of the Shakespeare edition completed by Dover Wilson. In his preface to *As You Like It* Q compares two seemingly opposed aspects of Shakespeare - the prosperous burglar retreating to New Place and the youthful poet of love and youth and pastoral life. "In our author's house are many mansions, and we have looked through Arden, courted under the boughs, laughed, loved, housed in the wilderness, listened to Arden and heard the song." If there were two Shakespeares, the poet and the public man, similarly there were two Qs, as this book demonstrates.



Quiller-Couch

## Pen friends

A NOBLE COMBAT: THE LETTERS OF SHIELA GRANT DUFF AND ADAM VON TROTT 1914-1939 edited by Clemens von Klemperer. Oxford £19.50, 372 pages

SOME 300 pages of personal letters between Shielia Grant Duff and Adam von Trott are here accompanied by a very competent introduction and commentary from Professor Klemperer of Smith College, Massachusetts. Shielia met Adam, a Balliol Rhodes Scholar, at Oxford in 1931, and the correspondence ran almost continuously from then until August 25, 1939, a week before the outbreak of war. Her letters to him were returned to Shielia after the war by Adam's widow.

After they left Oxford in 1934, while she worked as a journalist in Paris and Prague, and he studied law in Germany, their friendship matured despite physical separation, as Shielia has graphically recounted in her book *The Parting of Ways* (1982). Not until after Hitler's invasion of Austria in 1938 did the political divide between them become too sharp to ignore.

The letters were written with no thought of eventual publication. More than half of them consist of personal comments, travel stories, protests of affection and amateur philosophising. Reading them, one must remember that both partners were in their twenties, that they were often writing in code to avoid the Nazi censorship, and that English was Adam's second language. The words "Hitler" and "Nazi" are scarcely mentioned in seven years of correspondence by two writers hoping to "save the world between us".

In 1936 Shielia, after working in Paris with Edgar Mowrer of the *Chicago Daily News*, moved to Prague where she met the Czech journalist Hubert Ripka (eventually post-1945 Trade Minister). Mowrer and Ripka foresaw with far more brutal clarity than most what Hitler's real intentions were; and Shielia became a close friend of both.

These two, and Nehru for whom she had worked briefly in London, were her chief heroes in these years. She rapidly visited Spain during the civil war on Mowrer's prompting, and later in Vienna when Hitler's tanks rolled in. Her Penguin Special *Europe and the Czechs*, stating the Czech case to the English public, thus came to be published

in the Munich weekend. She found her wartime vocation broadcasting for the BBC to Czechoslovakia.

Adam, the letters show, was in the early years torn between his love of "Germany" (by which he meant his home, the woods, the people and the literature) and his hatred of the methods of Hitler. But he could not safely express the latter explicitly in his letters, and eventually for a long time like many others he did not fully understand what Hitler was planning. He joined the German foreign office in 1940. In the end, by his major share in the July 1944 plot against Hitler, for which he lost his life, he proved beyond doubt that he was a genuine anti-Nazi from the start.

One letter from him of December 20, 1939, confirms in code the view that the German "Generals' plot" in the Munich week might have wrecked power from Hitler if Chamberlain had not flown to Germany and given in. But unfortunately Adam's verbal ambiguities, Hegelian abstractions and misjudged attempt at compromise in the summer of 1939 misled some British friends into wondering where his sympathies really lay.

Even visits to the Astors were misunderstood by those who forgot that David Astor was a Balliol friend of Adam. But the sceptics were wrong. And after July 1944 they unreservedly admitted they were wrong.

In 1935 at his home in Germany, Adam asked Shielia to marry him. Completely surprised, she explained she was otherwise committed. Both thereafter struggled to restore what had been no more than a warm friendship, though the letters show that Adam's devotion was still unreserved.

Perhaps a parting of ways might have been avoided had not the political clouds darkened as Hitler's real intentions were starkly revealed in 1938 and 1939.

On 1 September 1938 she wrote (the best letter in the book) a resounding defence of her own convictions and a denunciation of Hitler and all his works. In the last letters of goodbye in August 1939 Adam wrote coldly and she more in sorrow than in anger. And so, not for the first time since the Montagu and the Capulets, in the end the political clash overwhelmed the personal bond.

Douglas Jay

WHO KILLED PALOMINO MOLERO? by Mario Vargas Llosa, translated by Alfred MacAdam. Faber & Faber, £9.95, 151 pages THE FOURTH OF JULY by Bel Mooney. Hamish Hamilton, £11.95, 288 pages MERMAIDS by Patty Dunn. John Murray, £9.95, 147 pages

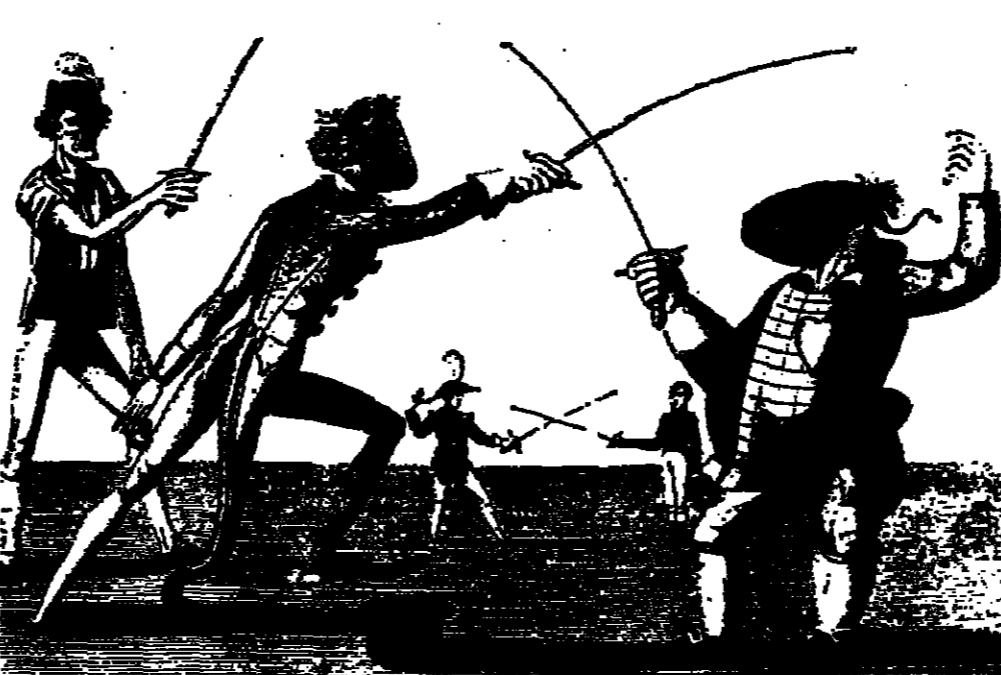
MARIO VARGAS Llosa has drawn his horns in a bit for his latest novel and has given us a more or less traditional detective story. *Who Killed Palomino Molero?* It is set in the northern deserts of Peru in the 1920s and begins promisingly enough with the discovery of the eponymous corpse dangling from a carob tree. He is, or was, a young recruit from the Air Force, evidently battered to death. An attempt has been made to castigate him, and a wooden stake has also been used to devastating effect.

So who killed him? The Guardia Civil's Lieutenant Silva - a half-breed policeman so starved of public funds that he has to hitchhike or take the bus for want of an official car - picks up the trail and follows it to teen-aged Alicia, rebellious daughter of the victim's all-white commanding officer. She is the girlfriend of a young pilot-officer, but had an affair with Molero, even though, like Arden, courted for side the elite of the military officer class, he is a half-breed.

Motives for the murder are clear enough. An outraged father, a jilted lover, a lorry-load of conscripts anxious to ingratiate themselves with their superiors - any of these might have had reason to commit the crime. The author leaves the outcome deliberately vague because he is as much concerned with the state of Peruvian society as with the nuts and bolts of the detective story.

VOYAGES OF DISCOVERY: CAPTAIN COOK AND THE EXPLORATION OF THE PACIFIC by Lynne Withey. Hutchinson, £16.95, 512 pages PACIFIC PRELUDE: A JOURNEY TO SAMOA AND AUSTRALASIA, 1929 by Margery Perham. Peter Owen, £18.95, 272 pages

YOU CANNOT venture far up the eastern coast of Australia, or around New Zealand, or anywhere that matters in the South Pacific, without feeling the reverberations of the passing of that remarkable explorer, James Cook, who commanded three round-the-world expeditions in



L'Anglais et son maître d'escrime

## Altar of class honour

THE DUEL IN EUROPEAN HISTORY by V.G. Kiernan. Oxford £25.00, 382 pages

V.G. KIERNAN, Emeritus Professor of History at Edinburgh University, would, I dare say, describe himself as a left-wing humanist. If this suggests a man at odds with himself, then, on the evidence of *The Duel in European History*, that is precisely what he is.

Rightly, Kiernan tells us that such a situation has been given the duel is largely anecdotal. Duelling as "an institution," he writes, has been "little noticed by writers on aristocracy and elitism." To set matters right, Kiernan offers a seemingly comprehensive study that sets out as a property constituted sociological history. Marx, Weber and Paret, three authors who have little to say on the matter, are discussed at length in an introduction that instantly smothered the duel with the cushion of dogmatic scholarship.

Duelling, Kiernan insists, when he comes to it, was the legacy of feudalism. As You Like It? Q. compares two seemingly opposed aspects of Shakespeare - the prosperous burglar retreating to New Place and the youthful poet of love and youth and pastoral life. "In our author's house are many mansions, and we have looked through Arden, courted under the boughs, laughed, loved, housed in the wilderness, listened to Arden and heard the song." If there were two Shakespeares, the poet and the public man, similarly there were two Qs, as this book demonstrates.

## Fiction Murder in Peru



Bel Mooney

Racism is what he is concerned with, the contempt of whites for the under-class. Racism and the power of the military elite, where a colonial family live almost as well as the gringos working for the oil company, and a colonel's daughter has a military chauffeur to take her to the swimming pool while the unfortunate Silva has to make it back to police headquarters on foot. There is a constant refrain throughout the book that the "big guys" are in charge, that they can do what they like and get away with it - even murder.

It is a telling work, though flawed in places. The translation is ugly, and as a whodunnit, the

all gold neck chain and shirt slashed to the navel, and is surrounded by a swirling entourage that includes wife, son (by a previous marriage), various decorative timbals, and made centrefold Annelise, the pride of his publishing empire.

Annelise began life as a farm girl in Nebraska, and has progressed via the captain of the football team and a series of silicone implants to celebrity of a sort as the sweetheart of millions of Americans. She is poised for real fame as star of the publisher's new movie. It is a version of Odyseus, retitled *The Night of Fowlake*, and features Annelise in a series of positions that will bring tears to the eyes of her immigrant Czech parents, back home on the prairie.

As portrayed by Bel Mooney, Annelise is really rather a nice girl who does not want to upset her family, and who has only become a porn star because that is the American dream, isn't it? Like most of the characters in the novel, she is a two-dimensional figure (no fault of the author's: such people usually are only two-dimensional), adrift in an alien, uncultured world. "It's a plastic country," as the British narrator observes. "You can't go anywhere or do anything unless you're made of plastic." As to that.

All of which is a little unfair on Patty Dunn, whose first novel *Mermaids* tells the story of a decidedly three-dimensional American teenager, a Jewish girl who wishes she was Roman Catholic so that she could suffer martyrdom and become a saint. To her religious fantasies she adds a burgeoning sexuality, which focuses on the odd-job man at the local convent. It is a nice enough debut, spy and witty, but you would need to be interested in the outpourings of American adolescence to enjoy it to the full.

Nicholas Best

## Cook's influence

the space of a decade, traversing the Pacific from Antarctica to the Bering Sea, and from the Californian coast to Australia.

The attraction of *Voyages of Discovery* is that it sets Cook in the context of the history of Pacific exploration. It is both lively and scholarly and is described by its publishers as the first comprehensive (but also popular) biography of Capt Cook to appear for 20 years.

As well as producing an excellent biography, Lynne Withey has drawn on recent scholarship in history, anthropology, art his-

tory and literary criticism to bring her tale alive.

On the other hand, one wonders what sort of market there can be for yet another of Margery Perham's gushing travel diaries. *Pacific Prelude* covers her trip in 1929, which included a month of island-hopping across the Pacific, three weeks in New Zealand and a week in Australia. (They travel fast, these innocent dams, scribbling all the way.)

How marvellous it all was, of years ago: In Samoa she attends an evening of dances, during which "the big boys would dis-

pear and come back, copper limbs glimmering with coconut oil." When she is asked to join in, she begins with "something like a solo waltz," but is soon whirling around "spears style."

First one and then another of the young men joins her. The audience claps, shouts, roars and rolls about. "Fortunately I realised that this did not mean that they were laughing at me but rather with me in delight and surprise. So I carried on," though presumably, at the end of it, covered in coconut oil. Which must have been distressing.

Michael Thompson-Noel

Malcolm Rutherford assesses a Conservative anthology

## Past imperfect

THE FABER BOOK OF ENGLISH HISTORY IN VERSE edited by Kenneth Baker. Faber and Faber, £12.95, 445 pages

ANTHOLOGIES NEED to be judged on the basis of three criteria: the introduction which explains the basis of the selection, the interesting inclusions which one might not read elsewhere, and what is left out.

Kenneth Baker's introduction to the *Faber Book of English History in Verse* is conventional. It says basically that there is a lot of history recorded in English verse. The inclusions are conventional as well, even to the point of a close parallel between King Lear and the centuries that are striking.

For what Baker has produced is essentially a Conservative history. That does not detract from the pleasure of reading the book, for a lot of English conservative poets had more than a touch of inspiration, and there were other English writers who were otherwise unrepresented. Some of the time, yet could also be radical: Shakespeare, for example. After a while, however, it does become mildly irritating that what the anthologist is trying to present is a single English tradition. There is no such thing. True, Baker makes exceptions. Wilfred Owen gets in alongside Rupert Brooke on the first world war, and does so with Duke of Deceitum Rat, one of the sharpest anti-war poems ever written. But there is a slight feeling that it is there for balance as well as literary merit. Protest is somehow outside the political mainstream. It is Kipling, Henry Newbolt, Tennyson and Shakespeare (heavily selected) who predominate.

The key Shakespeare lines come from *Troilus and Cressida*. Ulysses is talking about the cosmic and therefore the political and social order. "Take but degree away, untune that string, And hark, what discord follows." That is a perfectly reasonable political creed and one which one has heard quoted before by a number of Conservative ministers as the essence of their belief. But is hardly the best of Shakespeare, nor can it be taken as conclusive evidence that Shakespeare was a Tory.

Baker writes in the introduction that the test for inclusion was that the history had to be English. That is a bit of a cop-out, for it is plain that (say) the Roman plays, which express harder views, also had an application to England. Even the less conventional parts of the English history plays are kept out.

There are other omissions. Yeats's *Easter 1916* may be strictly said to be about Ireland, but it does have some relevance to the other side of the water. The collection of Arthur Hugh Clough is excluded altogether. There is no Gerard Manley Hopkins and indeed much of the coverage of the Victorian age is given to anonymous ballad writers. In an earlier period Milton is underplayed. He was, after all, a poet of some force. Even *Pandora Lost*, for all its comic sound, had some relation to the history of the time.

The most curious treatment of all, however, is reserved for Wordsworth. He has one entry: a sonnet written in 1838 protesting against the spirit of reform, the first line of which is: "Forth rushed from Eury sprung and Self-conceit." It does not have any literary merit whatsoever and comes from the period when Wordsworth, a radical turned Tory, had developed the voice of the dull half-witted sheep.

Either it is included as an elaborate joke on Baker's part, or it is a sign of editorial misjudgment. Not to have included lines from *The Prelude* ("But 'twas a time when Europe was rejoiced") suggests a remarkable lack of understanding of the cross-currents of English history as well as of the power of verse.

Baker is the Secretary of State for Education. One could say that in these circumstances it is astonishing that he could find time to edit a book on anything. And it is, in many respects, enjoyable. His best point is the inclusion of some more contemporary poets on events of the past. But one would not like this Tory tract to become anything like a set text. Michael Foot, the former leader of the Labour Party, should have a go at producing an alternative, which would oddly enough be more objective.

Justin Wintle



Kenneth Baker

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## ARTS

David Murray on a new look for Amsterdam's Concertgebouw

## Foundations for the future

It was exactly a century ago last Monday that Amsterdam inaugurated its Concertgebouw, the "concert building" from which a new permanent orchestra would soon take its name. Like Boston's Symphony Hall, it was built on the model of the new Gewandhaus in Leipzig but with its own peculiar Dutch foundation, as well as its own Dutch neo-classical air: it was planted upon some 2,156 wooden posts, driven deeply into what was then suburban sand.

From the outset the whole privately-financed venture was a civic success; and as the orchestra acquired international renown, so (with successive improvements) did the vibrant, extra-musical life of the hall.

Long before the centenary, the limits of the Concertgebouw facilities beyond the Grote Zaal itself had begun to chafe. Performers and modern technical staff were even more cramped backstage than the audiences in the narrow public corridors.

Grave subsidence under the whole building, discovered five years ago, at last prompted radical measures. Not only were the rotten wooden pilings replaced by cement-filled tubular posts, but a new basement created for dressing-rooms and storage - all

done without interruption to the Concertgebouw's seasons nor damage to the legendary acoustics - but the architect P.J. de Bruijn devised a drastic solution to the problem of the public space.

Extra entrances and foyers might perhaps have been attached to the building in a semi-circle of the original style. More boldly, de Bruijn has instead designed a gleaming metal-and-glass shell along the exposed south-eastern side of the hall (with a similar, less conspicuous affair around the curved east), containing new box-offices and walkways transparent to the open square which the Concertgebouw shares with the Rijksmuseum opposite. The entire project got enthusiastic support once more from business: some Japanese firms even organised a whistle-around among themselves.

From within the shell the old building is visibly intact; from without, the new shank is superimposed on it much as some modern overseas cities past many another venerable edifice. Though some businessmen deplore the operation, the speed of its arrival pre-empted any official protest.

I should hazard no guess about whether it will, eventually, earn

itself a creditable visual place, beyond its obvious practical advantages; it is at least simple and tidy. De Bruijn's next work, on the old Parliament buildings in The Hague, will be interesting to see.

In the event, Monday's centennial celebration marked not only the opening of the new Concertgebouw dimensions, but the departure of Bernard Haitink after 28 years of conducting the orchestra. (He is our guest, at Covent Garden, in Amsterdam, Riccardo Chailly is to step into his shoes.)

All the Concertgebouw's conductors have enjoyed long reigns, but a constant factor in their reputations this century has been Mahler, and his "Symphony of a Thousand" was Haitink's characteristic choice for a valediction - suitably weighty, but less of a personal show-off piece than a grand co-operative effort.

Choruses were enlisted from the Dusseldorf Minsterchor and the London Philharmonia, as well as sterling boy trebles from Haarlem and northern Holland; they made a resounding impression at Monday's royal gala, and no doubt at the repeat performance too. Tested by Mahler's enormous forces (space for the

audience had to be reduced to accommodate them) the acoustic seemed to have lost none of its bloom, and the most massive fortissimos were never harsh.

The woodwinds were the chief orchestral glory, though passing slips among the brass did not dampen their well-earned blazes. The solo singers, led fervently and a little wildly by Gwyneth Jones, were cast from strength, if Miss Jones and Arleen Auger are hardly a natural match. The indomitable tenor was Werner Hollweg, the floating "Master of the House" Barbara Bonney, and as "Paterfamilias" young Thomas Hampson carried passionate authority.

Passion, not mystery, was what Haitink seemed to aim at. The huge "Eternal creator spiritus" hymn surged magnificently, and the urgent, threatening pizzicato basses at the outset of the *Faust* movement gave notice that the drive would be kept up. Plenty of lyrical energy, poignant moments not indulged: the final Chorus, Mysic, clearly shaped, offered no visionary fiction. Among the numerous TV cameras two, hydraulically mounted, soared and spun above the performers, suggesting Goethe's *Schwebender Engel* as much as anything else did.



Amsterdam's Concertgebouw: the hall's limits have been extended without losing acoustic excellence



Josephine Barnstow as the world-weary diva

## Rough-edged revival

The English National Opera revival of Janáček's *The Makropulos Case* deserves a whole-hearted welcome in principle, but should earn it with some extra polish, writes David Murray. On Thursday the orchestra under Linné Friend was spirited but rough, and a frequent threat to singers' words. Among the chief offenders was Josephine Barnstow's extraordinary heroine, a world-weary 338-year-old diva - and an understated final monologue suggested vocal weariness too. Some judiciously broad pantomime looked like over-compensation. Miss Barnstow still remains an unarguable mistress of the role, infinitely vivid.

The broad lines of David Pountney's original production (revived by Sally Day) are sound, but need tightening in detail for the latest cast. Newcomers include Bonaventura Botto's romantic Greger and Anna Steiger's awestruck young soprano: both confident, secure, neither more than a cautious prototype yet. Terry Jenkins' amiable Hank-Sander, the diva's sensible former lover, misses a touch of poignant dottiness; Paul Harry's greenstick Janek is subdued but promising. So much of this opera consists of byplay among the mortal moths who flutter about the diva, while we await her terminal self-revelation, that sharp character-sketches are at a premium. Since everybody's heart is plainly in the right place, some performance or two may bring the show to full, incisive life.

## Radio

## In jokes from the pantomime horses

Radio 4, jealous of Radio 2 and BBC1, gave its own version of last Saturday's race. *Thameswood's Grand National*. This was the BBC laughing at itself, with jokes about broadcasters, real and imaginary, professional and amateur. We had an account of the BBC's takeover of Airtime for outdoor sequences in *The Archers*, an interview with the Queen Mother's horse that fell on the final straight, that kind of thing, aimed at the devotees of radio sports commentaries.

The following day we had a piece about the National Hunt meeting at Cheltenham. *The Irish Favourite*. It spoilt the punters, not the racing - the Irish crack (as they say) that swamps the town for three days each spring, the thinking and the singing at the Queen's, the roar on the course at a popular result. Live, happy and unpolitical, it was entirely delightful. But why last Sunday? The meeting was on March 25th. No good, the programme took too long to make the programme. As we were often told, the same people come every year. They could have been recorded a year ago.

Radio 3's Russian season ended on Tuesday with *Goldilovo* by Jack Winters and Nicholas Hays. *The Golden Family*, a novel by Saltykov, alias Shchedrin, written in the 1870s. The play (I have not read the novel, but I will try) is interesting, like black Turgenev - a study of the decay of a land-owning family as one member after another dies in poverty or disgrace.

They are all descended from Arina Petrovna, a decent, proprietorial lady as Margaret Rawlings admirably played her. Two daughters, two sons, are simple failures, but a third, Porfiry has such qualities of heartlessness and greed that he acquires anything he is after, including all the family estates. For a play, there seem too many deaths and disgraces in a row, but there are some great characters, headed by

Robert Stephens's horrible Porfiry.

With an ever handy recourse to Christianity, he refuses one favour after another. In one splendid scene he is congratulating himself on his book-keeping while his niece Euphrasia screams uncomfited in childbirth behind a near by screen. Admirable direction by John Theodorakis.

John Arden and Margaretta D'Arcy's *Whose is the Kingdom?* (Radio 3 Fridays) is over, with no time answer to the question. In the last part, Constantine kills his son Crispus and his wife Fausta, as history relates, but the less historical characters retain their fantasy. Constantine's mother Helena and sister Constantia set out to console the Christians. Faust's black servant Melanthio and the resurrected hairdresser Semiramis go to Ur of the Chaldees, where Melanthio has left her child Helen. Fausta with her mother Oenone, head of the nation, is slain; but Oenone has sent her to China where she may be about her mother's business.

Saint Paul (dead 250 years) tells Constantine that some Christian legends are dubious; he spread them in an attempt to take over the Christians from Peter. Constantine is last seen at a human sacrifice, where Helena, Constantia and Eutrophia carve up the peripatetic Helen Faust; appalled, he runs into the sea and into a boat containing a likeness of Jesus.

Director Ronald Mason might have tried to differentiate the factual from the visionary. Sometimes I was frankly not sure what was going on, and I am afraid sometimes I thought it didn't matter; ultimately the series became tedious. Arden and D'Arcy can be as hard to believe as anything in the Nicene Creed. Moderate Christian as I am, I shall stick to the old-fashioned "Thine is the Kingdom."

B. A. Young

Annalena McAfee sifts through the growing ranks of arts events

## An A - Z to the early festivals

FORGET the cuckoo. The first sign of spring in Britain is the tentative trickle of advance publicity from arts festivals throughout the country. Weather offering international caught with first-class events or merely local charm, these annual events are burgeoning.

Below is an alphabetical guide to just some of the festivals that will brighten the first part of our British summer season. Edinburgh, for example, is excluded. Omissions are based on the late publication of programme information.

## ALDEBURGH FESTIVAL

June 10 to June 26  
Founded by Benjamin Britten in 1948, this annual event in the Suffolk fishing town of Aldeburgh is a seminal British music festival. Among this year's highlights is a performance of Paul Bunyan, Britten's first opera, with a libretto by W.H. Auden based on the life of an American folk hero. Chalkovsky's one-act opera, *Intense*, and Britten's only full-length ballet, *The Prince of the Pagodas*, are also featured. The full programme includes works by Schumann, Scriabin, Janáček, Bach and Kurtág.  
CONTACT: (072) 852395.

## BATH FESTIVAL

May 27 to June 12  
The city's 36th festival of music and the arts celebrates American culture with performances from more than 450 musicians from the US and a look at music from the time of the Pilgrim Fathers and the first European settlements on the new continent.  
THEATRE: Bristol Old Vic presents two productions at the Theatre Royal: *Sweeney Todd and I'm Not Rappaport*. Teatro Gluco Vito, the shadow puppet theatre company, will present *Le Botte à Joux*, originally commissioned by La Scala, Milan.  
DANCE: A programme from the New York-based Lar Lubovitch Dance Company includes works to music by Philip Glass and Mozart.

MUSIC: Concerts by Atlanta Symphony Orchestra, the Orpheus Chamber Orchestra, the Vermeer String Quartet and, from Boston, the early music specialists the Musicians of Swanage. Music by visiting composers Elliott Carter and George Crumb will be formed by ensembles including Speculum Musicae from New York.

Jazz performers include Ornette Coleman and Keith Tippett, Lester Bowie, The Andy Warhol Music by visiting composers Elliott Carter and George Crumb will be formed by ensembles including Speculum Musicae from New York.

## BRIGHTON FESTIVAL

May 6 to 29  
Voyage and Vision are the twin themes of Brighton's 22nd International Festival. There is an emphasis on Australian arts to mark the Bicentennial Year, but Brighton's own strong literary and theatrical links are not overlooked in a wide-ranging programme.  
THEATRE: Highlights include Howard Barker's new play, *The Last Supper*, Terence Rattigan's *The Deep Blue Sea* and two productions from the Abbey Theatre, Dublin. They are J.M. Synge's *Playboy of the Western World* and *The Mother of All Babes*, adapted by Peter Sheridan from the book by Brian Behan.  
From Australia, Beverley Dunn of the Melbourne Theatre Company presents a one-woman show, *To Botany Bay on a Good Train*, and *Boys on a Boat* from Czechoslovakia makes a return visit to Brighton Festival with *Ballet Macabre*, loosely based on Brecht's *Arturo Ui*.

OPERA: New Sussex Opera, celebrating its 10th year, presents *The Flying Dutchman* with the Symphony Orchestra of the National Centre for Orchestral Studies.

Scottish Opera, Edinburgh gives a performance of Janáček's *Jenufa*. *Macbeth*: The Brazilian dancer Ismael Ivo presents the British premiere of his work *Macbeth*, which he created in association with the Schauspiel Theatre in Berlin. There are also performances by the French company Ballet du Nord and Helsinki City Dance Theatre.

MUSIC: Highlights include a cycle of Beethoven's choral music including *Missa Solenne* performed by Brighton Festival Chorus and the Royal Philharmonic Orchestra conducted by Antal Dorati. Vladimir Ashkenazy will play and conduct Beethoven's *Piano Concerto No 4* and *Christ on the Mount of Olives*.

Among the jazz performers are Loose Tubes, Art Blakey's Jazz Messengers and the Blue Note vibraphonist Bobby Hutcherson.

Rock historians will welcome Tiny Tim's attempt at the world's most original record with a musical anthology of popular song. Other rock performers include Happy End, Amasomondo and the vocalists Salfi Kelly from Mali.

VISUAL ARTS: A full programme includes recreations of Aboriginal cave paintings and a photographic exhibition on the lives of Australia's native inhabitants. There is also an exhibition of paintings and drawing by Butler's artist-in-residence Peter McCarthy.

LITERATURE: A full programme on the short story with writers and publishers, a discussion and celebration of travel writing featuring Colin Thubron and John Julius Norwich.

CONTACT: Information (0273) 676925/27193. Tickets (0273) 674957.

## BURY ST EDMUNDS FESTIVAL

May 13 to 27  
The French Connection provides the theme for this year's festival in Bury St Edmunds. The programme includes a performance of Beethoven's *Eroica* Symphony, which was dedicated to Napoleon, played by the Philharmonia Orchestra under the baton of the French conductor Yan Pascal Tortelier. The English Festival Baroque Ensemble recites the music of Versailles and there is a showing of films by Jacques Tati. The English National Opera soprano Cathryn Pope will give a recital of Mozart and Bizet arias.  
CONTACT: (0284) 65055.

## BUXTON FESTIVAL

July 16 to August 7  
The romantic life of the 18th century poet Torquato Tasso has inspired many artists. This year's music festival in the spa town of Buxton, an annual mecca for many opera lovers, uses Tasso as its theme. Donizetti's biographical opera *Torquato Tasso* will be



Alex Moxon

performed as well as Haydn's *Armida*, based on a Tasso epic.  
CONTACT: Buxton (0280) 70395.

## CHELTENHAM INTL. MUSIC FESTIVAL

July 2 to 17  
Another celebrated spa town music festival. Performers this year include pianists Alfred Brendel, Peter Frenkel and Vladimir Ovsienko, winner of the 1987 Leeds Piano Competition. Opera North performs Handel's *Acis and Galatea* and Mozart's *The Marriage of Figaro*.  
CONTACT: (0242) 529980.

## GLASGOW MAYFEST

May 1 to 21  
In only six years, Glasgow's International Festival of the Arts has become the second largest festival in the UK. This year's programme launches a major season of Scottish Theatre.  
THEATRE: The French company Centre International de Créations Théâtrales stages the British premiere of Peter Brook's production *The Mahabharata*. "The Scottish People's Theatre" 734 company presents the premiere of *No Mean City* by Alex Norton based on the novel by A. McArthur and H. Kingsley Long. Glasgow Citizens' Company will be appearing at Mayfest for the first time with a production of *Lady Windermere's Fan* directed and designed by Philip Prowse.

The Celtic Story, a celebration of Glasgow Celtic Football Club, will be performed by the Scottish Company Wildcat Stage Productions and the Traverse Theatre company.

In association with Focus Theatre, presents a new play by Sue Glover set in 18th century St Kilda.

From Northern Ireland there are performances by the all-woman Charabanc Theatre Company and from Eire a production by Druid Theatre Company of Frank McGuinness's *Factory Girl*.

Muted-Sha from Japan and 4D Performance Group from the London Contemporary Dance School.

MUSIC: Concerts from BBC Scottish Symphony Orchestra, Broadway String Quartet, and the Scottish National Orchestra, which will perform Verdi's *Requiem*. Katie and Mirielle Labèque and Helene Delavault will also be performing.

Russian punk-rock band Avia and South African music and dance group Amasomondo are among performers in a strong popular music programme encompassing jazz and folk as well as rock. Also appearing will be Edwyn Collins, former lead singer of the Glasgow band Orange Juice. The Int Space and Scots rock-folk band Run Rig.

VISUAL ARTS: The Burrell is showing "Rare gifts from Gold," an exhibition of 14th century art in Scottish collections. Glasgow Art Gallery and Museum is holding the first exhibition since his death of the work of Scotland's most successful Victorian landscape painter, Horatio McCulloch. Prints and paintings by young Glasgow artist Adrian Wiszniewski are showing at the Glasgow Print Studio.

LITERATURE: Canadian novelist Robertson Davies and US expressionist writer Kathy Acker and Scottish novelist William McEwan are among writers making a personal appearance. Playwright Tom McGrath will discuss new Scottish writing for the stage.

CONTACT: Information (041) 204-1000. Tickets (041) 227-6511.

## GREENWICH FESTIVAL

June 3 to 19  
Prompted by the 400th anniversary of the Spanish Armada and the exhibition on this theme at the National Maritime Museum, this year's Greenwich Festival has a strongly Spanish flavour.

THEATRE: A performance of *Lorca*, a celebration of the life, work and death of the Spanish poet and dramatist, is given by Tróia Fautier with flamenco guitar accompaniment by The Heredia. Roger Rees and Virginia McKenna appear in *Sons and Mothers*, a programme of poetry and prose compiled by Anne Harvey.

DANCE: Mime Theatre Project presents *What is all this Dancing?* at the Albert Empire.

MUSIC: The flamenco guitarist Paco Pena and pianist Alicia de Larrocha are among Spanish performers. Thomas Tallis Society Choir with His Majesties Sagbuts and Cornetts offer a programme of ceremonial music from England and Spain.

Tale Melville and the Clarke Tracey Quintet lead the jazz programme. Roots music performers include Ali Farka Touré and R. Cajun and the Zydeco Bros.

VISUAL ARTS: Sculptures by Keith Piper and posters and photographs illustrating political struggles of Latin America.

CONTACT: (01) 317-6687.

Other events include dance and mime by Nahid Siddiqui and John Mowat and music from the London Ragtime Orchestra and Peter Skellern.

CONTACT: (0553) 775676.

## LONDON INTL. OPERA FESTIVAL

May 2 to June 11  
A wide range of 20th century opera is being presented at the first London International Opera Festival. Seventeen works, including two world premieres, from eight companies are being presented in a programme which also includes talks, films, a recital, an exhibition, children's activities and free open events in Covent Garden Piazza. New works include Paul Barker's *The Pillow Song*, based on the diaries of a 10th century Japanese courtesan, and Agustín Fernández Teoponte, an electro-acoustic composition with South American instruments.

Other highlights include Scottish Opera Go Round's production of *Jenufa*, the Pocket Opera of Nürnberg's production of *Aida* and Opera 80 in Mozart's *The Abduction from the Seraglio*.  
CONTACT: (01) 378-6722.

## WARWICK ARTS FESTIVAL

June 30 to July 10  
A high point of Warwick's festival is a performance of Shakespeare in Warwick Castle. This year's production is to be *Romeo and Juliet*, staged by Elizabethan Theatre Productions.

A Czech theme runs through much of the music in the 1988 festival. The Stannic Quartet of Prague will give play music by their eponymous composer and by Janáček, whose compositions feature in other concerts throughout the festival.

The death of C.P.E. Bach is commemorated in *The Spectacular Court of Frederick the Great* with readings by Gabriel Woolf. Leading baroque musicians will be contributing to the festival with concerts ranging from Italian and English madrigals and instrumental pieces played on sackbut and cornett to Monteverdi's 1610 setting of *Vespers*.  
CONTACT: (0826) 482488.

## KING'S LYNN FESTIVAL

July 22 to 30  
The musical programme of King's Lynn's 38th festival is devoted mainly to works by German and English composers. Orchestras include the Academy of St Martin-in-the-Fields, the Hallé Orchestra and the Royal Philharmonic Orchestra. The cellist Mstislav Rostropovich will give a special recital during the festival in celebration of the Queen Mother's birthday. The programme will include a Bach suite for unaccompanied violin and a Shostakovich sonata.

CONTACT: (01) 317-6687.

## PICK OF THE WEEK AT CHRISTIE'S

Fine and Rare Wines  
The Property of a Distinguished London Club

ON 21 APRIL at 11.00 a.m. and 2.30 p.m. Christie's, King Street will hold a sale of fine wines, all of which will be offered either without a reserve or at reserve prices no higher than original cost. The auction comprises 3000 cases of chateau-bottled Claret, vintages from 1948 to 1983; white Bordeaux including unprecedented quantities of the scarce Haut-Brion Blanc; fine Burgundy - both red and white; an astonishing range of vintages of the small-production Chateau Grillet and other Rhône wines.

Also to be offered will be a magnificent array of top quality dry Loire wines, perfect for Spring and Summer drinking; some rare Cabots; leading champagnes and classic vintages of Port from 1948-1977. Detailed catalogue with vintage guide and tasting notes.

For further information on this and other sales in the next week please telephone 01-839 9060.



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THE GARRICK THEATRE

WEEKEND FT  
SPORT

Ben Wright praises Sandy Lyle after his US Masters' triumph but is concerned about modern attitudes

## Killing the goose that lays the golden eggs

USING VIDEOTAPE slow-motion replays, I have examined several times Sandy Lyle's crucial fairway bunker shot at the 18th hole at Augusta National Golf Club in Georgia last Sunday evening. And I am convinced that the first British-born champion in the 52-year history of the US Masters tournament disturbed no more than a few grains of sand.

The 31-year-old Scot appeared to pick the ball so cleanly with the lowering seven-iron shot that flew 180 yards, and then backed-up to within 10ft of the hole, that he left no visible indentation in the sand with his club. It was easily the best - and, of course, the most telling - fairway bunker shot I have seen in 34 years of watching golf for a very pleasant living.

Lyle showed he had the ability to dig down magnificently into his inner soul for the strength to come back and win a tournament he apparently had thrown away.

A senseless tee-shot at the dangerous par-three 12th hole cost him a double bogey. A ridiculous second shot at the short par-five 465-yard 13th landed him in the bunker behind the green for a bogey that virtually conceded two shots to the field.

His resurgence thereafter was a thrilling exhibition of the character and determination demanded of those who desire to win major championships.

Thankfully, the outwardly placid Lyle has the inner fire and the inbred respect for the game's traditions that make him a respected contender for the four major titles. Likewise Mark Calcavecchia, the runner-up, who revealed previously unrecognized strength of character and grace in defeat.

Greg Norman, who tied for fifth place by virtue of a 64 that equalled Maurice Bembridge's final-round record in 1974, reckoned that Lyle was destined to win when he chipped into the hole for a birdie two down the steep slope from behind the green at the 205-yard fourth hole. As Greg told me on Monday: "Only God could have chipped in from that position."

Norman himself remains an enigma. He could not remember how many short putts he missed during the tournament but, in four days on television alone, I counted 10 of less than 6ft. Similarly, Seve Ballesteros, seems to be past his best, tortured into self-destruction by his own frayed nerve ends. The Spaniard finished seven strokes behind Lyle, of whom he speaks constantly with scant warmth or respect.

No one, however, spoke more foolishly during the week than 1979 Masters champion Fuzzy Zoeller. For him to criticise harshly the pace of the greens after scoring 66 was quite ridiculous, for he had just ridden

his own argument by recording the best round of the day.

I am by no means alone in despising the crass commercialism threatening to destroy professional golf, and most particularly those spoiled players who decay the severity of the competition set them by those who run the four major championships. Only two-Masters champion Tom Watson spoke up in favour of the manner in which Augusta National had been prepared.

He pointed out, quite correctly, that there must be a difference between major championships and ordinary tour events. Most of these are held on superbly-maintained courses set up to play so easily that per receives a merciless battering from those spoiled professionals who squeal with outrage when greens are firm, even crusty, and lightning-fast.

During the Masters its chairman, Ford Hadrin, hinted that the tournament would not survive if the members at Augusta National had to go to the commercial route to keep up with escalating prize money. And he is right to be concerned that the type of young player coming along today would pass up the opportunity to play in the Masters if it became sandwiched between two \$5m events with commercial sponsors.

The Masters is such a wonderful tournament because the members of Augusta National have always been so generous to the spectators, both on the course itself and on television. Parking is free. Fresh sandwiches are only \$1. A generous paper cup of Coca-Cola still costs 50 cents.

By comparison the British Open championship has become unruly. Drunks fall about. Ugly people take off their shirts. And, not surprisingly, such people have begun to be as vocal in a four-mouthed manner as the average soccer crowd.

The players are wearing vicious emblazons, with no subtlety at all, by commercial concerns. Golf bags are likewise covered, and logos are appearing all over the players' shirts in the way cars are decorated on the racing circuits. If golf is the last bastion of integrity in professional sport, and it is, it is slipping badly and quickly outside the gates of the Augusta National Golf Club.

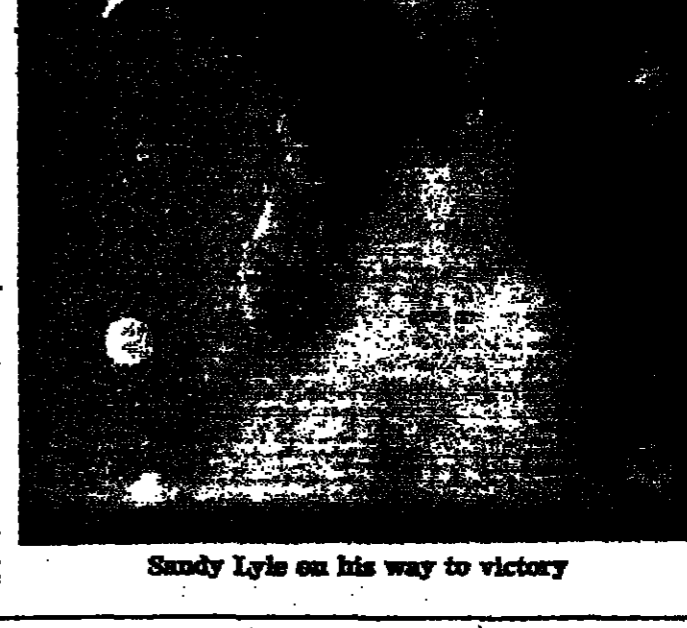
I hate the idea of the game becoming the sole province of the wealthy and privileged. But it is high time golfers were forced to sign an agreement to respect the etiquette of the game - or face suspension.

As for professionals who take and give so little back to the sport, they are killing the goose that laid the golden egg and the old bird will come back to haunt them. They should remember that, long after they have passed on, golf will be a great game without them.

Between these national junior squads and the Davis Cup team, which is the responsibility of Australia's Warren Jacques, is the Laing Squad. Mark Petchey, Beecher, Darren Kirk, Denny Sapsford and Chris Bailey are the members of this excellent, flexible scheme which helps young players break into the main professional circuit without too much financial pain. Nigel Sears is the man responsible for assisting this process and Petchey has just rewarded him by winning two tournaments in the Far East, where they are now touring.

After 10 years in the job, Sue Mappin, the Women's National Team Manager, is reasonably happy that we are keeping pace with the world. "We have 27 girls on the WTA computer which contains some 600 names. Of the European nations, only Germany with 40 and France with 29 have more players ranked. The pity is that Sue Barker did not decide to continue with her tennis and Jo Durie, who at one time was fourth in the world, has slipped. As present, there is no highly ranked figure for the younger girls to look up to. Remember Britain has produced three Wimbledon champions since the war."

Ann Jones and Virginia Wade are still contributing to development in various ways. Says Sue Mappin: "We have a well organised set-up now. Keith Reynolds



Sandy Lyle on his way to victory

A VISIT this week to the Prudential Junior Championships at Wimbledon, where the cream of the nation's 18-and-under players were competing on the All England Club's clay courts, took my mind back to a summer's afternoon at the Winchester Club in 1972. I noticed a tall, gangling 13-year-old, all arms and legs, with a shy smile on his dark brown face, standing quietly with the other French boys watching a match in the junior international that ran alongside the popular junior tournament.

I remember Patrice Hagelauer, the French captain, telling me that two years earlier, Arthur Ashe had alerted the French Federation to the potential of this young player with a father from the Cameroons and a French mother. Ashe had discovered Yannick Noah on a goodwill tour of Africa in December 1971. Thanks to Ashe, he soon became a pupil at the French Federation's tennis school in Nice.

Twelve years later, on an emotionally-charged afternoon at the Stade Roland Garros, Noah repaid that investment of time, money and considerable faith by winning the 1983 French Open.

That same year, Derek Bone, an economics master now working for the Lawn Tennis Association, presided over the first term at the LTA's tennis school at Bisham Abbey. The school was 12 years

behind the French federation, which by then had 12 schools throughout the country. Yet, within less than five years, 17-year-old Colin Beecher, one of the four original Bisham pupils, has started to make an impression internationally.

Bone says: "Ultimately, we can only judge the success of the scheme by the results the boys achieve. It is early days yet, but already Beecher has won our national indoor title and is winning doubles titles and reaching singles finals on the International Tennis Federation's junior circuit. On the other hand, another of the original four, Nick Smith, who is 16 and strong academically, has just decided to concentrate on his studies at the Royal Grammar School, High Wycombe, where he has been a year six at the beginning. Thus options are still open, as they must always be."

There are eight boys at the school and next month's new intake will take the numbers up to 10 or 12. The professional approach to their development is admirable. All attend local schools and get two hours of tennis every day. Peter Terry looks after their mental training and part of their physical training, along with an Air Force physical training instructor. Also involved is John Rierley, whose plyometrics or power training are carefully tailored to the needs of each

individual. In addition, every boy undergoes a comprehensive psychological test at the West London Institute each year, the results of which determine his playing and training schedule.

In October, the LTA appointed Richard Lewis, a 33-year-old former Davis Cup player, as men's 18-and-under national training director. He is in no doubt about the value of specialised training.

For some years, the headmaster at Ryeleigh School has encouraged specialisation.

At Hull Young Peoples Institute there are two indoor courts where Ian Smith and Nigel Beedham are doing excellent work. Next week at Sevenoaks School, thanks to the financial support of Charles Bailey, the Kent County captain, a new three-court complex will open to establish a Kent county centre. Then there is David Lloyd's Slater Scheme, a private venture based at his club in Heston and Reed's School and financed by the Slater Foundation. All this activity provides healthy competition which is excellent.

Yet, as in so many areas of endeavour, Britain is only playing catch-up. Apart from

France, there are well established national schools in Sweden, Austria, Italy, Spain, Holland, Belgium and Australia. In Sweden, the youth development programme is based on the dozens of indoor clubs where amateur organisers work alongside the coaches to give every keen youngster a chance to improve. The Czechs, too, have a strong club coaching system. In Germany, the training is regionally based, something which Lewis believes is essential here.

He says there is a ten-year plan to establish a county centre like Sevenoaks in every county where there will be a variety of surfaces on which to train. Lewis is planning the programme for his three 1989-90 National Training Squads, which will be based on a part-time basis by Simon Kington (18), John Hicks (16) and Simon Jones (14), all county players. "Apart from the normal routine of matches and tournaments, we shall have eight special weekends for all the squads where I shall bring in leading players and experts in various ways," says Sue Mappin. "We have a well organised set-up now. Keith Reynolds

is the National Girls Co-ordinator, assisted by Binnie Blackburn and Caroline Bithorne. He oversees the 14 and 15 age groups and brings in experienced people such as Wanda Woodbridge and Cathy Drury on a part-time basis to help them. Lesley Charles is in charge of the 16 group full-time and brings in Ben Murray to look after training and Les Beggall to improve movement."

The Challenger Squad is the girls' equivalent of the Laing Squad and is administered by Andrew Jarrett, who spends much of the year on the road.

It does appear, then, that Britain is well organised to develop the talent that emerges. However, there are still too few people actually playing tennis in Britain, which is why the Indoor Tennis Initiative is still the most important aspect of LTA policy along with a drive to market the game to a wider audience. International success is partly a numbers game. Until there are thriving pay-for-play clubs in Turkey, Britain and Moss Side and 30 talented youngsters of every colour and creed challenging for each international team place as there are in Sweden, France and Germany, then we shall not raise standards high enough to compete successfully against them.

Looking round the courts at Wimbledon this week, it would seem we are light years away from realising that dream.

From left: Richard Lewis, Derek Bone and Sue Mappin watch the young players

John Barrett sees Britain's young tennis players in action

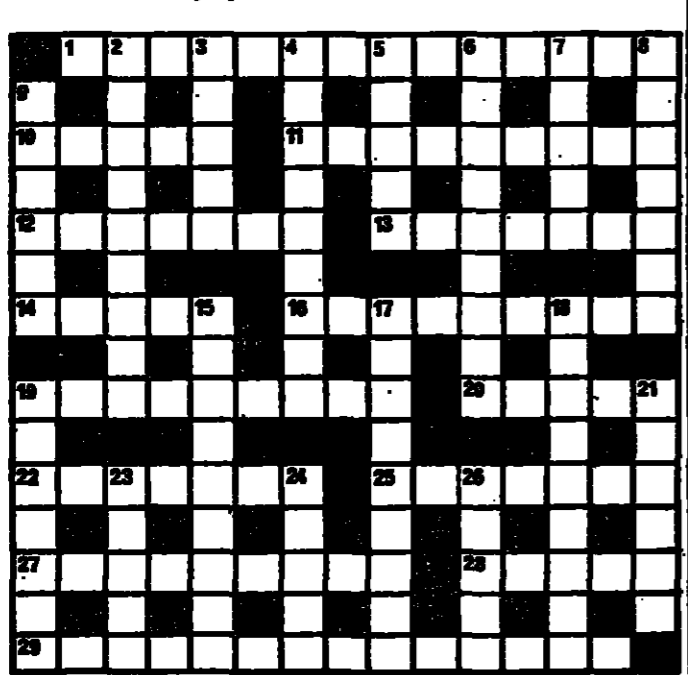
## A dream that's years away



From left: Richard Lewis, Derek Bone and Sue Mappin watch the young players

## FT CROSSWORD No.6,607

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday April 27, marked Crossword 6,607 on the envelope, to the Financial Times, 10 Cannon Street, London EC4A 3DF. Solution on Saturday April 30.



- 1 Tested and untroubled culture is out of order: Bird's inside (14)
- 2 Drink adored by Rastafarians (4)
- 3 Could non-U answer to clue be sobering at dawn? (4,5)
- 4 Maker of marquerie inside with bird? (7)
- 5 Bird's inside by means of big fall (7)
- 6 Sound of school put inside? (5)
- 7 Bit of hard stuff inside, gone round each way (9)
- 8 "Thus far and no further" for display of business? (4,5)
- 9 Produce own defeat (5)
- 10 Bird's inside, rhyming with reptile and magician (7)
- 11 Transport from Dominica by air (7)
- 12 Large turn in friendship much used by crossword compilers (8)
- 13 President of 4 in German (5)
- 14 Vegetables with insects are disgusting: blame it on the poll tax! (8,9)
- 15 Controller of watch, taxation, art or glue possibly (9)
- 16 Poetically gigantic, vulgarly very 'ot-headed? (5)
- 17 Climbing month 'a-gain' fast in American country (9)
- 18 Survival of the quarrel I caused (5)
- 19 Hard-headed and roughly, colleague takes in poor soul (9)
- 20 Help making clue for golf (5,6)
- 21 Libertard, set about network (3,4)
- 22 Place of bird for those that beat? (5)
- 23 Longing to get back what's lost again? (5)
- 24 Left's version of May Day strikes gold: will she be...? (4,5)
- 25 ...in charge of the non-military, being too polite? (9)
- 19 Bit of allure in dandy will shine through the glass (9,4)
- 20 Note to songster: be inside (2,4)
- 21 Crossing horse at last with beard? (8)
- 22 Stray tear (5)
- 23 Part of Israel, for example, in part of Nevada (5)
- 24 Solution to Puzzle No.6,606

## SATURDAY

Indicates programme in black and white

**BBC1**

8.25 am Sunday Start Here. 8.50 am The News. 9.25 am The Muppet Babies. 9.50 am The News. 10.25 am The Muppet Babies. 10.50 am The News. 11.25 am The Muppet Babies. 11.50 am The News. 12.25 pm The Muppet Babies. 12.50 pm The News. 1.25 pm The Muppet Babies. 1.50 pm The News. 2.25 pm The Muppet Babies. 2.50 pm The News. 3.25 pm The Muppet Babies. 3.50 pm The News. 4.25 pm The Muppet Babies. 4.50 pm The News. 5.25 pm The Muppet Babies. 5.50 pm The News. 6.25 pm The Muppet Babies. 6.50 pm The News. 7.25 pm The Muppet Babies. 7.50 pm The News. 8.25 pm The Muppet Babies. 8.50 pm The News. 9.25 pm The Muppet Babies. 9.50 pm The News. 10.25 pm The Muppet Babies. 10.50 pm The News. 11.25 pm The Muppet Babies. 11.50 pm The News. 12.25 pm The Muppet Babies. 12.50 pm The News. 1.25 pm The Muppet Babies. 1.50 pm The News. 2.25 pm The Muppet Babies. 2.50 pm The News. 3.25 pm The Muppet Babies. 3.50 pm The News. 4.25 pm The Muppet Babies. 4.50 pm The News. 5.25 pm The Muppet Babies. 5.50 pm The 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